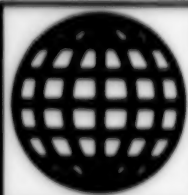


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SOVIET UNION

Western Media on 'Historically Significant' Soviet Elections

40050451 Shanghai SHIJIE JINGJI DAobao
in Chinese 3 Apr 89 p 1, 14

[Article by Hu Houfa 5170 0633 3127: "Gorbachev Gets Out the Vote To Bolster Support for Reform"]

[Text] Future historians may accord 26 March 1989 the same importance as the October Revolution 72 years earlier. This is the consensus of Western media on the election in the Soviet Union last weekend in the Soviet Union to elect a new Congress of People's Deputies, an election held under the new election law. For days now, the Soviet election has been headline news in all Western news media. Some political analysts call this the most historically significant event since World War II, signaling that Moscow is on the threshold of a new era.

In the West, elections are the highest expression of popular wishes. In socialist countries, because of an imperfect democratic system, elections are derided as a political embellishment with no substance. The latest election in the Soviet Union was a departure from all previous elections in that country. It was an attempt to break out of the stagnation surrounding economic reform and it tried to duplicate the successful experience of the Western electoral system to the greatest extent possible. For instance, voters were free to nominate their own candidates and there was no limit on the number of candidates nominated by the grassroots, thereby giving voters an opportunity to make real choices. To get oneself elected, a candidate must have a convincing political platform and political caliber. This gave rise to genuine competition between candidates. For the first time voters experienced the power of democracy, which fired their political enthusiasm.

In the Soviet Union, economic reform has been slow to bear fruit and market supplies have hardly improved, prompting some Western observers to conclude that the Soviet people have lost their passion for reform and their confidence in democracy, an assessment now shown by the election to be totally removed from reality. People engaging in political debates till they were red in the face, crowded mass gatherings, vehement attacks on conservative forces—all this faithfully mirrored the Soviet people's pursuit of freedom, their desire for democracy, and their support for reform.

The latest Soviet election was still a far cry from Western parliamentary elections in method and the extent of democratization, but in their very first "dress rehearsal" in the exercise of democratic power, Soviet voters already displayed much political discriminating ability and a high democratic quality, a characteristic widely praised by Western media. Through the ballot box, Soviet voters dealt a heavy blow to conservative forces in the party and government and voted overwhelmingly for

the heroes of reform. Boris Yeltsin, earlier demoted because he went too far in word and deed on the reform issue, was threatened with disciplinary action by the party for his rhetoric, but his clarion call for reform and his blunt criticism of current shortcomings won him much sympathy and extensive support among the voters; he garnered the largest number of votes. Many party and government figures failed to gain popular support and were soundly beaten because of their ambiguous attitude toward reform. Among the losers were the No 1 man on the municipal party committee in Leningrad, the second largest city in the Soviet Union; the mayor of Moscow, the capital; Kiev's party secretary, and about a dozen big shots in local party organizations.

In over 100 electoral districts, no candidates obtained more than half of the votes cast, so the final results there cannot be known until after the run-off election. But the first round of balloting provides ample evidence that their attitude toward reform and democracy is the primary yardstick with which Soviet citizens judge their politicians, a trend that is not unique to the Soviet Union but is common to all socialist countries. In a sense, the latest Soviet election will have a profound impact on future reform; it may provide a safeguard against possible setbacks in the course of reform.

For Gorbachev, the election is a cause for both satisfaction and concern. Gorbachev's ambition as a reformer is visible to all, but owing to resistance and obstruction from the party, his reform has never managed to break out of a snail-like pace. To prevent it from stagnating, Gorbachev has flexed his political muscle many times, with few significant results. Four years have come and gone and it seems that reform has "reached the end of the road." No doubt the election was a heavy blow to conservative forces in the party. According to analysis by some observers here, it is certainly a smart move on Gorbachev's part to mobilize popular support to strengthen the call for intra-party reform, but it remains to be seen whether it can really turn the corner for perestroika. As a result of the election, some radical reformers have come into their own and may be tempted to act rashly. Apparently Gorbachev's dual task now is to take advantage of the "momentum" generated by the election to continue to struggle with the conservative forces and push reform to a new high, while taking pains to avoid any premature moves, curb nationalism, and ensure social stability.

NORTHEAST ASIA

'Mutual Benefits' of Political Relations With South Korea

40050371 Shanghai SHIJIE JINGJI DAobao
in Chinese 20, 27 Feb 89

[Article by Zhang Yining 1728 0001 1337: "A Hurried Trip to Seoul"]

[20 Feb 89 p 4]

[Text] In Seoul, One Feels That China Is Very Close

It was already dusk when the plane arrived in Seoul. Small cars sped one after another down the eight-lane highway. The oncoming cars, their headlights lit, rushed by in profusion like a long Milky Way. The cars entering the city in the same direction, their red taillights shining, floated forward like a red silken band. This spectacle, which outdid even the highways of the United States, made me understand vividly why South Korea is called one of the "four little dragons" of Asia.

At the end of last year, I had the good fortune to accompany Professor Cooper of the United States' George Washington University to South Korea to study the present state of joint ventures, and during the week that I stayed there, I often sensed the enthusiasm South Koreans had for China and the importance they attached to it.

When I was in China, I had felt that Seoul was very far away, but in Seoul I felt that China was very close. The South Korean people's understanding of China was much greater than our understanding of them. This feeling came from the fact that my South Korean classmate in the United States had liked to chat with me about the future Chinese century, Confucius, *The Romance of the Three Kingdoms*, and the like; it also came from the fact that South Korea's television and newspapers carry many reports about China; and it came even more from conversations with South Korean entrepreneurs and high-level public figures. Several times in Seoul television commercials I saw shots of Fujian and Suzhou factories which were said to be marketing products imported from China or jointly produced.

We stayed on the 21st floor of the Seoul Hilton Hotel. It was very opportune that Hungary's chief representative to South Korea, Sandor Etre, was staying next door to me. I struck up a conversation with him at a social breakfast. This ambassador, who was about to assume office, can speak Korean very fluently, but is very cautious about what he says; however, he at least did express this realistic view: there are 43 million people living south of the 38th parallel, and their economic achievements have been universally acknowledged. Hungary is going to open up further and establish friendly relations with nations and regions in the world with different ideologies.

Any development is pushed forward by different final interests. Far-away Hungary can still transcend an interval of a century and geographical obstacles and extend a hand of friendship to Seoul; clearly, circumstances are stronger than people. Very significant changes are occurring in South Korea's economy and its corresponding strategy: it has changed from a debtor nation to a creditor nation, and must find an outlet for its large amount of surplus capital; its industrial structure is going to change from the labor-intensive type to the capital- and technology-intensive type, and is seeking ways of shifting its original capital equipment. In the 1990's, it will focus on opening its west coast, which coincides with

China's strategy of focusing on development of its east coast. Can it be thus assumed that, as the first stage of coastal development, development of the southeastern coastal region will be allied with Taiwan in establishing an East China Sea economic sphere; the Yellow Sea region will be allied with the entire Korean Peninsula in establishing a Yellow Sea economic sphere; and the South China Sea region will cooperate with Hong Kong, Singapore, and elsewhere in establishing a South China Sea economic sphere? Aiming at a large circle, we will begin with a small circle.

[27 Feb 89 p 5]

[Text] Northward, Northward

Since No Tae-u came to power in South Korea, he has boldly and resolutely smashed restricted areas and established political and economic contact with socialist nations; this is his vigorous northern policy. This policy has three principles: separation of politics and economy, promotion of mutual benefits, and dominance of the private sector. In order to carry out the northern policy and at the initiative of various financial groups and assisted by the government, South Korea established in October of last year an "International Private Sector Economic Conference" with former Deputy Prime Minister Yi Han-bin as chairman, specializing in coordinating trade and investment relations with socialist nations with which diplomatic relations have not yet been established. On the afternoon before I left Seoul, I had a talk with the Harvard-graduated chairman.

Yi Han-bin's office is located in the World Trade Center in southeastern Seoul. Yi Han-bin received me warmly and said, "I hear that you are a reporter of China's SHIJIE JINGJI DAobao. I am very happy to talk with you." He pointed to a map of East Asia on the wall and told me that in the 1990's, South Korea would prepare to focus on development of its west coast, while China had a strategy for developing its coastal region; the coasts surrounding the Yellow Sea formed a highly populated region with a relatively high level of economic development, and this gave us an opportunity for joint development. The Yellow Sea was relatively calm and had bright prospects for water transport. In terms of sea routes, it took only about 10 hours to sail from Incheon, South Korea, to China's Shandong Peninsula. He humorously remarked that for a period in the past, we appeared to have forgotten this geographic advantage. The Soviet Union was now actively developing Siberia, but by comparison, the Yellow Sea region was at the entrance to two nations, and it was likely to develop greatly in the next 5 years and become even more attractive.

Dr Yi pointed out that in order to do business and carry out investment, legal protection by both governments was essential; otherwise, businessmen would fear trouble back home and would be unable to go all out. At the same time, focused development of certain industries and regions also required planning and promotion by the

central government, establishing an infrastructure, and perfecting the investment climate; only in this way would foreign businesses progress in a continuous stream. However, China and South Korea still had no diplomatic relations, which was clearly disadvantageous to private sector economic dealings. The establishment of this conference was an attempt at a partial solution of this problem. Saying this, he gave me a pamphlet concerning this conference. This explained that the main functions of this conference included representing all of South Korea's private sector enterprises in negotiations and consultations with socialist states with regard to such matters as trade and investment activities and technology transfer and carrying out undertakings the

handling of which had been entrusted to it by the government, such as entry and exit control.

Chairman Yi Han-bin stressed that our voice was public, and hoped that China, too, would establish an organization with similar functions and have direct dialogues and relations with South Korea, in order to promote the further economic cooperation of both sides. Professor Cooper, a professor of international commerce at George Washington University in the United States, who attended the discussion, recommended that China conduct direct dialogues with South Korea, for only in this way could economic contacts between the two nations develop in a guided way on a larger scale and under more preferential conditions.

NATIONAL AFFAIRS, POLICY

Discussion on Reestablishing Individual Ownership

40060542 Beijing GUANGMING RIBAO in Chinese
15 Apr 89 p 3

[Article by Yang Jianbai 2799 1017 4101: "On Reestablishing Individual Ownership"]

[Text] Marx and Engels pointed out in the Communist Manifesto that the communist theory is, in one sentence, to eliminate private ownership. But in "Das Kapital" Marx mentioned that individual ownership will be reestablished after the shell of capitalism is blown away. This seems to be contradictory. In fact, the individual ownership Marx mentioned is not private ownership; it is an integrated, socialized individual ownership. Correctly explaining this theoretical issue is of great immediate significance to our choosing a correct goal model for our system.

Since China is still in the initial stage of socialism, achieving a fairly high level of development in the productive forces of society requires a fairly long process. So the existence and development of the private economy in China will also be a fairly long process. However, private economy is after all not socialist economy. The two should not be confused.

Marx regarded laborers' individual ownership as the starting point of the dialectical development of ownership relations. When he mentioned reestablishing individual ownership, he clearly pointed out that it was not to reestablish private ownership. In other words, it was not to return to scattered, isolated ownership of individuals. Instead, it was to reestablish individual ownership on the basis of the achievements of the capitalist period and the joint ownership of the means of production—namely, integrated and socialized individual ownership. Under the condition of production socialization, the means of production are increasingly centralized as such that they are suitable only for the public use of society. The aggregate ownership of productive forces and the socialization of labor are objective demands. It is not allowed to divide up the entirety and large scale of productive forces for the ownership of independent individuals or return to the situation before capitalism where labor was combined with the means of production and small producers each worked on his own. The only ownership allowed is socialized joint ownership and integrated ownership. Ownership can be realized only through integration. Only integrated aggregate individual ownership of productive forces can eliminate private ownership.¹ Individuals are social beings. Only in collectives and the aggregate ownership of productive forces can individual beings perform their individual functions.

Ownership reflects the property right question of who owns the means of production, which in essence reflects the relation between labor and objective labor conditions, namely whether the main body of labor is combined or separated from objective labor conditions—the means of production. All means of production except for natural resources are created by laborers. They are materialized labor formed with labor accumulated in history. The means of production will in turn become objective conditions needed for the activities of the main body of labor in the course of reproduction, so they should naturally belong to individual laborers. Because of this, in a socialist and communist society, only by implementing integrated and socialized individual ownership can one prevent materialized labor from controlling animated labor, thereby combining subjective labor with objective labor conditions. Only by implementing such individual ownership can individuals in the same society fully display their individual talents on a genuinely equal basis.

Under the condition of the socialization of socialist production, individual ownership is not marked by giving each individual his share of means of production. The essence of the issue is that the rights, interests, and will of laborers as owners of the means of production can be genuinely realized. Ownership is not an abstract and static economic sphere. It conditions various economic relations in the process of economic movements, and its effect is displayed through the owning, allocation, and use of means of production and labor products. In other words, the will, rights, and interests of laborers as the owners of the means of production should be materialized as enterprises' rights to make their own independent decisions, practice democratic management, and make distribution decisions. Realizing these rights would mean that laboring individuals are genuine owners. I think this is the goal model that we should choose for our system reform.

Socialism is a process from fantasy to scientific development, and its implementation is also a process. Since the current level of productive forces is still very low in China, we need the existence and development of a private economy and for a fairly long period. But we do not need to deny that our final prospect and goal is to eliminate private ownership. It is never meant to replace socialist ownership with private ownership. One is immediate need; the other is prospect and goal. The two must be separated.

Theoretically speaking, China's current enterprises, state- or collectively owned, all belong to integrated and socialized individual ownership. Their labor nature is integrated labor, not wage labor. Their form of organization is more or less the same as the integrated body of laborers, envisaged by Marx and Engels. The only difference is that our integrated bodies are still under the condition of commodity economy. As the performers of labor, workers in our enterprises are in a position to provide labor elements for joint production. As the

integrated owners of the means of production, they are in the position of masters who can control labor and labor results. It is this production relation that has determined that workers are the master of enterprise, thus determining in general the master status of laboring people in socialist countries. Unfortunately, the management system we implemented in the past failed to embody the relation between socialized joint ownership and individual ownership and did not give laborers the management power to practice democratic management. In other words, it distorted the rights, interests, and will of laborers as masters. In view of this reality, we must carry out across-the-board reform from political to economic systems. The goal of the reform should be to return power to laborers and embody the status of laborers as the main body of labor. Of course, genuinely achieving this goal of reform in an all around way also requires a process.

To fulfill our tasks of reform, we can only proceed from the reality of the initial stage of socialism and advance one step at a time from lower to higher levels. For instance, under China's current conditions, it is possible to implement the shareholding system. It will not necessarily result in or develop into a private-ownership system. Under the socialist system, state enterprises switching to the shareholding system is conducive to the separation of ownership from management. If all shares are held by public shareholders, it will not cause any change in ownership. Even if some shares are held by individual laborers, it still will not cause any change in the nature of ownership. The key lies in the management of state shares. Shares of large state enterprises should not be allowed to be traded freely. The shareholding system and stock market we advocated should not be copied mechanically from the model of the capitalist world. We should only take their strong points to give an impetus to the development of socialist economy.

Not only collective enterprises should encourage individual laborers to become shareholders, it is also feasible for state enterprises to do so. The individual ownership that Marx wanted to reestablish does not demand the popularization of the relation of private property. It is not embodied in the individual shares held by workers. But under China's current conditions, individuals buying shares can help centralize funds to expand production and suits the level of knowledge of workers. This method can be adopted widely in the reform.

Socialist society should consider in principle reestablishing individual ownership as the theoretical model of reform and express it in concrete matters. Based on this demand, state enterprises should take one step further in the implementation of the shareholding, contracted responsibility, property management responsibility, and leasing systems and combine them with the rights and interests of the laboring public of enterprises. Enterprises must be economic legal persons which genuinely have the power to make their own independent decisions. Enterprise workers should have democratic management

power and the right to make distribution decisions concerning necessary and surplus products. With regard to the contracted responsibility, management responsibility, and leasing systems, it is better for one person to initiate the process, have a collective sign the contract (or lease), and practice collective and scientific management. Democratic management enables people to share profits and risks. This reform is to change state enterprises into enterprises owned by the state and run by collectives. As a matter of fact, it also embodies the requirement of integrated and socialized individual ownership. This should be the orientation for the reform of large and medium-sized state enterprises in China. As for small and medium-sized state enterprises, we may consider compensated transfer and turn them into collectively owned enterprises.

In the collective economy of China's laboring public, the means of production is jointly owned by integrated workers; it is also individually owned by each laboring individual. The form of organization is actually integrated bodies under the condition of commodity economy. They can also be further integrated. This form of economy is very suitable for the needs of immediate economic development in China, and should be developed extensively. After consolidation, existing collective and cooperative enterprises should operate independently, practice democratic management, and share profits and risks to enable the collective economy to gradually become standardized.

Footnote

1. See pages 76-77, Volume III of *The Complete Works of Marx and Engels*.

JINGJI YANJIU Comments on 10 Years of Reform

HK0906000189 Beijing JINGJI YANJIU in Chinese
No 2, 20 Feb 89 pp 11-33

[Article by Shi Xiamin 4258 1420 2404 of the State Commission for Restructuring Economy and Liu Jirui 0491 0679 3843 of the Economic Research Institute of the Zhejiang Provincial Academy of Social Sciences: "An Economist Must Primarily Respect History and Facts—Commenting on 'Ten Years of China's Reform (Review)'"]

[Text] China's economic reform which accepted with a completely new posture the challenge of socialism in current history has traversed the trail for over 10 years. In all the economic areas the 10 years of reform have stirred up waves and vibrations of sundry sorts, untied and put in motion again many coagulated and ossified economic knots one after another, and also removed to a certain extent the scars and stains of rust and erosion in socio-politics and in ideologies and conceptions. Regarding the trials and difficulties and the successes and

failures, an earnest, all-round, deep-going summation of them is sorely needed. This is not merely for the sake of the past but more importantly for the present and the future.

JINGJI YANJIU magazine began from issue number 9 to publish an article by comrades Hua Sheng and others entitled "Ten Years of China's Reform, Review, Retrospects, and Prospects." The principal theme of the article was to review the past 10 years of China's reform and to determine the direction of advance from now on. The article "Review" (briefly termed "10 Years' Review" below) was the first and leading article. This theme carried an important significance and the choice of "reviewing" as the principal basis for discussions was also very appropriate. At the same time, the article "10 Years' Review" took the form of directly stating the names of its theoretical opponents and critics and broke the antiquated tradition followed by many among economic theoretical circles in our country of "never arguing in writings but if it is necessary to argue then never giving any names." This was rather beneficial.

Nevertheless, after reading the "10 Years' Review," we could not but feel that the article and the authors were far away from the hopes and anticipations of the principal theme and its great pattern. In many respects the materials used in the article and the form of presentation exceeded the bounds permitted by theoretical dissertations, giving the reader many troubled feelings and doubtful questions. The way the article handled certain important factual and theoretical problems astonished people who happened to know the state of affairs. It was also possible that this made many comrades generate serious errors concerning the process and progress of our country's reform. Accordingly the present article is meant to raise certain doubts and to solicit comments from the authors of the article "10 Years' Review."

Regarding Certain Important Historical Facts

In respect of the dissertation "10 Years' Review of China's Reform" which consists of a total of over 35,000 words, the reader naturally has the right to expect the writers to make an overall and systematic presentation of the materials and, on the basis of true and definite historical facts, make a matter-of-fact analysis of the pros and cons, gains and losses that are subjected to selection. The writers of the "10 Years' Review" also made such an introduction of their article. However, what makes the reader disappointed is that the article before us and what the writers declared were poles apart. There are numerous cases of misinformation and untruths in historical facts contained in the article. On certain of the problems the writers were guilty of the conditions of "self-compilation" and rewriting of history. This has made the writers' discussions lose the backing of objective facts. According to the writers, the important purpose of their making the "10 Years' Review" was to answer people's "various doubts and speculations caused by the present dilemma in China's reform," such as "whether or not in

strategy China's past reforms had made any fundamental mistakes."¹ This, they said, is for the sake of removing the now universally existing "agitations and misgivings." Yet, if there are great discrepancies in the basic facts, how is it possible to answer these "fundamental questions?"

In our opinion, a historical review must be based on actual historical facts. Of course, this does not mean that all historical facts, big or small, must be included. But, basic historical affairs importantly related to our country's reform cannot be disregarded and also cannot be twisted. What astonishes people is that in this dissertation claiming to have made a systematic research of the main course of China's 10-year reform, many of such historical events are missing, or if appearing at all, have been greatly twisted.

First, the "10 Years' Review" lightly brushed aside the reform measures of fully 5 years from 1979 to 1984 and did not discuss them at all. The authors' main reason for doing so was said to be that the reforms before 1984 belonged more or less to the nature of the "self-propelling sort" and that the strategy of the reform and the form of transformation were "to a considerable extent not subjected to selection."² This carried the concealed meaning that since there was no other choice the pros and cons and advantages and disadvantages of these measures needed no discussion at all. Such an explanation was not exactly applicable. In the first stage of our country's economic reform, the major point of the reform rested on the rural side. On the side of the cities and towns, the principal measures were: (1) The work of strong material stimulants, such as enforcing the bonus system, profit-retention system, and profit contracting system and expansion of the enterprises' decision-making power, was gradually pushed from point to surface; and (2) The power in finance and in such spheres as distribution of material resources of the local governments at various levels and of the departments was expanded. In this stage, although urban reform, unlike after 1984, did not become the central point of the whole economic reform, yet the "reform strategy" and "transgression form" adopted included many of the essential contents of the reform strategy and transgression form which occupied the leading place after 1984 and, moreover, the subsequent enterprise contract system, all-round contracting in finance, and so forth, were expanded in various forms of the "power delegating and ceding of rights" in this stage. Summarizing their successes and failures obviously has an important significance in our work. As for the claim of "selection of the reform strategy" "lacking the possibility of realization," it was entirely contrary to historical facts. Let us cite a few instances below:

In early 1980, under the guidance of the responsible comrades of the State Council at that time, the original financial structure of "unified receipts and unified disbursements" was changed into a structure of "decentralized receipts and disbursements and contracting at

separate levels" featuring the practice of "everybody eating from separate kitchens." As a result of enforcement of financial administration at various levels, this structure is beneficial to the local governments at various levels, being enthusiastic in increasing receipts and practicing economy. However, as a result of this type of financial structure being established on the foundation of an economic management system in which government was not separated from enterprise affairs, and delivery of profits and taxes being made according to the administrative subordinate relationship of the enterprises, it caused the local governments at various levels to strive to set up business stalls, establish enterprises, and increase the production of products (mainly products of the processing industry) at high prices and yielding large profits. It also made them blockade each other, cut down the role of the markets, and led to such problems as the shortage of raw materials and economic depression in coastal cities and towns housing the processing industries. Facing the various evil consequences which began to appear at that time, many of the economists in the country, such as Xue Muqiao, Liu Guoguang, Dong Fureng, Wu Jinglian, and Dai Yuanzhen, separately and on different occasions expressed the views that financial contracting at various levels should not be continued; and among them some suggested concrete measures to change this structure. Unfortunately these views were not adopted. The practice of financial contracting at various levels considered by some economists as "administrative division of power" has all along been followed and produced deep-going effects. By 1988, with the pushing of the "financial all-round contracting," the practice was fully systematized. It appears that the authors of the "10 Years' Review" hoped to avoid commenting on the current financial all-round contracting and its former self of the system of "contracting at various levels," but in the "10 Years' Review," such carelessness should not have happened.

In 1978, some of the regions began to institute piloting points for expansion of the power of the enterprises. In autumn 1980, the state extended certain of the practices of the piloting enterprises to some 6,000 enterprises accounting for 60 percent of the output value and 70 percent of the profits of the state-run industries in the national budget. It adopted many measures to expand the autonomous power of the enterprises and to intensify the material stimulation of the enterprises and their staff members and workers. However, while these measures did to a definite extent achieve the result of adding to the vitality of the enterprises, at the same time there appeared problems as the enterprises, for the sake of enlarging their self-marketing, lowered the planned targets and failed to fulfill the transfer and allocation plan, edged out advancement with backwardness, allowed loose control of salary and wage funds, strived with each other in granting bonuses, and practiced egalitarianism inside the enterprises. Against such conditions, Xue Muqiao, responsible person at that time of the Office for Reform of the Structure of the State Council, advocated

thus: Past reform stressed reform on the distribution side, had an eye on concurrently looking after the material interests of the central government, the localities, the enterprises, and the individuals, and attempted to arouse their enthusiasm; but simply carrying out reform on the distribution side suffers from rather large limitations and can easily breed various kinds of passive consequences. Xue Muqiao believed that compared with "reform of the distribution system," reform of the circulation system was more important but this was overlooked by everybody. He advocated that subsequently the major point in reform be shifted to the side of "reform of the circulation system" and that "reform of the management structure of commodity prices," "reform of the circulation channels," be realized.³ Xue Muqiao's views received the approval of many Chinese economists and reform leadership personnel. At the same time, economist Bruce, vice-chairman of the Polish National Economic Advisory Committee and the noted economist [Oto] Sik, who had been in charge of the 1967-1968 economic reform of Czechoslovakia, came to China to give lectures in January 1980 and March to April 1981 respectively. Their views that reform was not a confused combination of certain singular or partial measures, but should instead be a structural transformation, provided the Chinese economists great enlightenment. In particular, the latter economist's views that establishing a competitive market mechanism carried important significance for the effective operation of the new structure and that price reform, with the objective of ultimately realizing freedom in prices, was the first important condition for ensuring the display of the functions of the market mechanism, and his introduction of Czechoslovakia's experiences in realizing price reform through adopting the method of first adjusting (1967) and subsequently de-controlling (1968) produced important effects on China's economic reform departments.⁴ In such a background, the leadership personage of the Chinese government definitely believed that the reform of the preceding stage was "still of a partial nature, that it was probing in character, and that there were problems of the lack of continuation and coordination in the work." Hence, "an overall program for the reform of the economic structure must be formulated for gradual realization."⁵ In order to immediately do good preparatory work for price reform after the 1981 economic readjustment achieved definite results, our government established in the State Council a price research center and at the same time invited foreign specialists to train the cadres and began to pursue the computation work on price readjustment and to start planning for reform of the price management structure. The problem was that in the winter of winter 1981 there was a change in the situation. Certain comrades from the ideological angle were at variance with the price reform which was the key portion of the coordinated reform in the original plan. They believed that mandatory planning, particularly price planning, was the basic characteristic of the socialist system of ownership by the whole people, and that price-fixing power must be in the hands of the state and should not be let loose. As a result, the

proposal of carrying out price reform was cancelled. Since then the proposal for "a socialist economy being a planned commodity economy" and the idea of expanding guidance planning were cancelled. It was not before but after the 3d Plenary Session of the 12th CPC Central Committee in 1984 that the problems of how to establish a socialist commodity economy and how to carry out price reform were again put on the agenda.

Strangely, the "10 Years' Review" never said a word about this problem of the great and important actual practice and theoretical significance of China's economic reform and it seemed as if the authors thought that it was not worth looking into. Not only that, when people expressed their regret and criticism of the missing of the opportune time to effect price reform in the early 1980's because of theoretical impediments, the authors of the "10 Years' Review" actually wrote sarcastically: "The readjustment stage in the early period of the 1980's was still an era when 'planned economy' was still in command" and to talk of guidance planning already was criticized and it would be far less possible to talk about price reform. If after a great readjustment when the economy was depressed and "the environment was loose and lax and we were then calling it the opportune time for price reform, then the early 1960's after the reform would be an even more opportune time!"⁶ Thus, here the authors of the "10 Years' Review" brushed aside at one stroke the efforts made by our country's reformers in the early 1980's to push price reform, contrarily treated the conditions at that time in the same breath with the early 1960's, and made a ruthless and unreasonable accusation against people supporting these efforts. Is this not rather unfair?

Beginning from 1984, the ideological political impediments to economic reform were gradually broken and reform once again regained command. But in the 4th quarter of that year there appeared the problems of the economy being overheated, inflation in demand, instability in prices, and confusion in the economic order. Hence the early part of 1985 turned into the readjustment stage of strengthening the macroeconomic control and stabilizing the national economy with the purpose of attaining economic stability. In 1985, our country's economic circles and economic leadership departments, along with actively treating the economic environment, performed a large amount of work in summing up the experiences and lessons gained in recent years in economic development and economic reform. The many views and recommendations formed during this stage were accepted by the CPC Congress held in September 1985 and subsequently were sanctioned by the National People's Congress (NPC), becoming the guideline for economic work in the Seventh 5-Year Plan period. On such an important reform measure, if the "10 Years' Review" happened in a period which for various reasons the authors did not wish to discuss deeply, then this historical event, having been included by them in what they said to have various possibilities of selection, should have been entered into a period which must be

summarized importantly. The deletion of this chapter of history in the "10 Years' Review" is thus all the more beyond people's understanding.

During this period the important breakthrough in the ideas of the reform strategy was seen in the following two aspects:

1. In 1985, from May to August, economists in our country, on the basis of intensifying the researches on the economies of the East European countries, carried out extensive discussions on the problem of whether the reform should be pushed forward on a singular project basis or carried out in a coordinated manner. In a series of discussion meetings (of which the most important were the discussions in May on the "Report on the General Program for Structural Reform" submitted to the State Council by nine economists including Guo Shuqing, Lou Jiwei, and Gong Zhuming, and in July on the first draft of the "Recommendations on the Formulation of the Seventh 5-Year Plan"), the majority of the economists agreed that for the sake of overcoming the defects of the beginning and end of the various sides of the reform of the economic structure not being in liaison and lacking mutual coordination, the reform should be pursued with the following three points which must be in coordination and liaison with each other: (1) Establish enterprises which operate autonomously and are solely responsible for their own profits and losses; (2) Form a competitive market system; and (3) Establish macroeconomic regulatory structure which is suited to the market conditions. These views were incorporated into the proposition for the Seventh 5-Year Plan of the CPC Central Committee.⁷ It was precisely in accordance with the guideline determined by the "Recommendation on the Seventh 5-Year Plan" that leadership comrades of the State Council in the early period of 1986 made arrangements for coordinating the reform before the Seventh 5-Year Plan period.

2. During the period February to October 1985, there were violent discussions and disputes among the economists in our country on the problem of the macroeconomic policy to be adopted in the reform's economic environment and at the initial stage of the all-round reform. Following the discussions, particularly the discussions in September known as the "International Discussions on Macroeconomic Management of the National Economy" (S.S. Bashan Meeting) that were participated in by noted Chinese and foreign specialists and experts, the majority of our country's economists and economic specialists were of the opinion that in view of the deteriorated economic environment in China's reform due to economic over-heating since the 4th quarter of 1984 and inflation of demand, and facing the crisis of inflation, it is necessary to concurrently employ economic measures and administrative measures, assert stringency in financial policy, currency policy, and revenue policy in order to cause gross social demand and gross social supply to approach coordination and to facilitate the economy to develop stably and the reform

to progress smoothly. All these views were accepted by the Party Congress and were fixed as the "basic guiding principles for economic and social development during the 1986-1990 period."⁸

It was precisely under these guiding principles that in the second half year of 1985 the work on strengthening macroeconomic control and stabilizing economic development managed to progress rather smoothly. The State Council also decided that in 1986 and even for the entire period of the Seventh 5-Year Plan, the policy carried out with effect in 1985 would continue to be pursued. Based on the guideline for the reform strategy adopted in 1985 by the Party Congress, the State Council decided in early 1986 that commencing from 1987 it would push the coordinated reform with the major points placed on the price structure, the taxation structure, and the financial and currency structure. In March, Comrade Zhao Ziyang gave an important speech in which he pointed out that the confrontation of the dual structure had caused much friction in our country's economic structure along with the poor operation state which had many loopholes. Such a state of affairs should not drag on. To rectify this situation, preparations were to be made to take decisive steps in early 1987 to carry out reform with the major points placed on the price, taxation, and financial structures. The Chinese government then followed up with establishing the State Council Subcommittee Office on discussions on the reform program of the economic structure (briefly termed the "program office") to carry out planning work on the coordinated reform program prior to the Seventh 5-Year Plan. In the course of program the "program office" added on two more major points which were reform of the currency structure and reform of the domestic and foreign trade structures and, in addition, set up specialized units on enterprise, material resources, planning, and investment, responsible for probing into ways and means to develop coordinated reform in these sectors.⁹ After several discussions and revisions, this program was submitted on August 22 to the State Council and subsequently was approved by the State Council and the CPC Central Committee.¹⁰

Naturally, not all the economists were in favor of the above-mentioned two basic strategic thoughts and the program formed according to them and enforced. Besides, under the opposition of certain comrades, these strategic thoughts were in effect negated at the end of 1986 and the tightening of the market was changed into loosening the money market while coordinated reform was changed into singular enterprise reform. At that time, Hua Sheng and his comrades were the warm supporters of these changes. In their opinion, as a result of the "historical conversion" effected in 1986 in policy ideology, "we have set up a new starting point on the two sides of, respectively, economic development and structural reform," and the national economy has "once again demonstrated the tendency of a stable development."¹¹ Regardless of whichever of the two policy lines might be the right or the wrong one, and since the change in these strategies was of such importance and they had such

profound effects on our country's reform and development, any solemn and earnest research worker should not have disregarded them. It is strange that the authors of the "10 Years' Reform" avoided mentioning the affairs in which they themselves participated and their attitude at that time.

After the refutation at the end of 1986 of the coordinate reform program which had been formulated during May to August 1986, conversion was made to enterprise reform with the principal forms of the stock-holding system, contract system, assets management responsibility system, and so forth. By 1987 it was further made clear that between now and the basic formation of the framework for the new structure, China's reform would take enterprise reform as the center, and reform in various stages would be carried out on the various sides of the structures such as planning, investment, material resources, finance, currency, and foreign trade. According to this guideline, beginning from the second quarter of 1987, the contract system of state-run enterprises was pushed on a nation-wide scale; in the first quarter of 1988, the all-round contract system for foreign trade was implemented in conformity with the coastal development strategy of large-scale imports and large-scale exports; the original practices of financial percentile distribution at various levels were further systematized and the financial all-round contracting system was gradually put into operation; still under formulation was the all-round contracting system for credit and loans, and so forth. To support this sort of reform strategy, the policy of allowing a "suitable degree of inflation" was adopted to facilitate a high industrial growth rate.

How to evaluate these two types of different economic reform ideas and practices has been the central problem in the discussions among China's economic circles and theoretical circles in recent years.

Some people believe that departing from the basic guiding principles in economic work of the Seventh 5-Year Plan period prescribed by the Party Congress in 1985, ceasing the execution of the economic reform strategy advocated at the congress session and also ceasing the operation of the mid-term reform program formulated by the State Council for the implementation of this strategy, may lead to the development of certain passive factors in the national economy and to continue along this road may ultimately cause serious consequences.¹²

On the other hand, some other people are of the opinion that fixing the development and reform strategy in 1986 not only has made China's economy become "stable and a turn for the better," but also are anticipating good results being produced soon. In February 1988 they claimed that following adoption of such strategies as contracting, all-round contracting and large-scale imports and large-scale exports, "the economic situation from 1987 was further improved," "the new factors supporting the growth of the economy have grown and developed and as a whole the national economy has

effected pleasing changes favoring further development."¹³ But supporters of these strategies just scoffed at the secret concern harbored by those bearing a critical attitude toward these strategies and fearful that they might bring serious consequences, and regarded them as foolish people fearing that heaven might collapse. For example, early in 1988 there obviously appeared before people the problem which attracted people's concern about the future and prospects of China's reform, namely, a rapid rise in the gross level of commodity prices (the medium-grade inflation was then fast developing into a high-grade and serious inflation of the currency but the supporters still thought that this had been exaggerated and that this was but a partial problem or a mere "currency fantasy." In their belief, the inflation which had started in the middle of 1987, been checked for a short while in the fourth quarter of 1987, and regained its momentum in January 1988, was caused by the "periodic fluctuations" in agricultural production, particularly in hog production, and was "not directly related to the economic situation having turned better or worse nor to whether or not gross demand having inflated." They opined that the "easing" in 1988 of the "contradiction between supply and demand in pork" would naturally solve this partial problem. They further criticized those who had over-estimated the seriousness of the economic situation as "not having analyzed penetratingly the concrete problem, without putting into full play the new mechanism and new feature of our country's economic operations but simply making use of the concept of gross volume analysis of the West or from our country's traditional practices." Hence, they concluded, "incorrect judgement and conclusions could not be avoided."¹⁴

The authors of the article "10 Year's Review," writing in the section on "Review," refrained from mentioning the results of the implementing of the policies which they themselves had discussed, and it appeared that in China, basically, there never had been any discussions either in support of these measures or in opposition to them. This cannot but be rebuked as an exceedingly great disrespect for history. In reality, the article "10 Years' Review" manifested that the authors had been the supporters of the latter type of reform strategy and form of execution.¹⁵ In order to answer the "basic problems" brought up by the authors in the beginning of the article on "what basic errors China has committed in past reforms," the normal procedure is to cite historical facts to answer the doubts of the critics of this type of strategy and to uncover the errors of the supporters of another type of strategy. However, the authors of the article did not proceed in this way. Rather, they strenuously avoided mentioning the series of important historical facts over the past 10 years and particularly in the recent report as a means to attest to the correctness of the views they supported. They did not seem to be accustomed to the use of history but seemed more adept in using their self-made logic to discuss and attest to the topic. Result: they turned the "historical review" which they promised the readers they would make into a speculative type of

debate that was void of historical reality.¹⁶ They seemed to think that by soundly rebuking the opponent, they could prove that in these several years the "reform strategy" and the "form of pushing forward" "did not commit any basic error," and that people's "discontent of it not having been explained clearly" would be ipso facto smoothed out.¹⁷

Naturally, the authors of the "10 Years' Review" were not so "blindly optimistic" as to imagine that they could by means of their set of arguments convince people and satisfy their demand to seek the answer to the question why China's reform so "relatively early falling into the dilemma of being unable to go forward or backward." As a result, they repeatedly hinted to the readers that the current state of the "continuous increase in the force of pressure from inflation," "the worsening of the reform environment," and so forth, had all been caused by "gate crashing" and stepping up the price reform advocated since May 1988. But possibly because such a presentation too obviously violated common understanding in economics or because it was not nice to be too outspoken, although they hinted these suggestions, they did not say so outright.¹⁸

In fact, basically speaking the problems appearing in 1988 economic life such as the serious inflation and aggravation of the phenomena of corruption and disorder arose principally from the macroeconomic policy in recent years being erroneous and the reform measures being inappropriate, and were indeed caused by the long-term delay in the coordinated reform which included such contents as price, taxation, currency, and so forth. Not only that but also these errors, inappropriateness, and delay greatly worsened the environment for price reform. Under the force of the pressure of inflation in gross demand, excessive consumption, and worsening of the economic structure, all of which had continued for many years, by early 1988 inflation had become like a bag inflated to the state of bursting when tapped even slightly. It was under such conditions that the central authorities at the end of May and early June made the decision to increase the steps in price reform and to strive to gradually, within 5 years' time, abolish the double-track system. The decision was an essentially correct one, yet because of the failure to take tightening, improving, and rectifying measures beforehand, such as some economists had suggested, it was regrettable that there appeared the reverse effect of a sharp rise in commodity prices. In spite of this, we still cannot lay the burden of "worsening the reform environment" on the "decision" "to speed up the price reform." This is because the seed of "serious inflation" had been planted prior to the "decision" and had already begun to sprout, whereas basically speaking, overcoming the current economic difficulties can never be separated from "price reform." In a definite sense, to undertake or not to undertake price reform is the "root" and is a problem of strategy; choosing the opportune time for such undertaking is the "branch," and is a technical problem. Of course we must study, and may even criticize, the "branch"

problem and the technical problem but forsaking the root and chasing after the branch and devoting great efforts to problems of secondary importance can possibly confuse people's understanding of the real cause of inflation.

In the foregoing we have analyzed the main topics brought up in the article "10 Years' Reform" and the liaison and contradictions between the basic methods employed. Below we still need to further discuss the several important problems marked out by the authors of the "10 Years' Reform" in connection with the actual relation between China's economic development and the economic reform.

On "Related to Price Reform"

The essential differences related to price reform are manifested in: 1. The target pattern of price reform; and 2. The methods and ways in price reform (including environmental problems and coordination problems). The "10 Years' Reform" frequently mixed and confused the two together and took the "system group" and the "structure group" and "adjustment" and duo-control" as the standard to demarcate the different concepts. In reality, using the terminology of readjusting the price system and that of changing the price management structure to demonstrate the idea of their being opposed to each other is not at all appropriate. The converse is likewise true.¹⁹ Using either adjustment or de-control to demarcate the essential difference between the two different viewpoints is also incorrect, and besides adjustment and de-control cannot be employed as a brief yardstick to judge whether or not the target pattern is correct.

Target Pattern: Is It the Market Price Structure or the Planned Price Structure?

Authors of the "10 Years' Reform" stood firmly on the side of the market price pattern.²⁰ They declared that they always had advocated "changing the price-forming mechanism," that the resolution of the 3d Plenary Session of the 12th CPC Central Committee "had left over a divergent meaning," and that they themselves had clarified this "divergent meaning."²¹ However, after turning over the pages of history during the past several years, we feel that they (the authors) should be inwardly ashamed of the many instances of the authors of the article "10 Years' Reform" upgrading themselves and downgrading other people.

Reason number 1: Comrades Zhou Xiaochuan and Lou Jiwei, whom Hua Sheng and his other comrades had criticized as favoring the simple readjustment system and not giving any thought to changing the mechanism early in 1981, advocated the use of balanced prices to replace other theoretical prices and to set up a price pattern for studying the problem of price reform. Their recommendation received the concurrence of our country's noted economist Comrade Xue Muqiao, who

referred it to the relevant departments for study and reference. As everybody knows, balanced price is naturally a kind of a market price. At the group discussion meeting on "socio-economic systematic engineering" held in Nanchong in 1982 and at the "energy prices discussion meeting" held in Beijing in 1983, Comrades Zhou Xiaochuan and Lou Jiwei, in both their dissertation and talks, further expostulated the idea of balanced price. Moreover, later on at another meeting, Comrade Mao Yushik also advocated using supply-and-demand relations to determine price. These views and opinions were criticized by many people and their relevant articles were not published. Obviously Hua Sheng and his other comrades did not understand or were unwilling to touch on these conditions.

Reason number 2: Soon after the Mokanshan meeting (September 1984), JINGJI YANJIU published an article written in May 1983 by comrades Lou Jiwei and Zhou Xiaochuan, that is, the article which the article "10 Years' Review" wrongly interpreted and criticized. Here we shall restore the truth of the most important part. The article "10 Years' Review" regarded the writing of Messrs. Lou and Zhou as from the pen of proponents of the "price system readjustment theory" and quoted them as having written thus: "Prices emerging from reliance on the balancing of natural forces of the market can possibly be confusing, nonunanimous..."²² This definitely gave people the impression of opposition to market prices. But the original script was thus: "Under our country's not completely competitive market conditions, prices that emerge from the market relying on natural equilibrium can be confusing and inconsistent and macroeconomically do not reflect the balance in supply and demand of products in separate categories, whereas the unfavorable side of the supply-demand prices can possibly inflate. However, theoretically seen from the anticipated value (may be briefly interpreted as the middle value in the price fluctuations computed according to the principle of the balancing of supply and demand) of the supply-demand price system under non-monopoly conditions, there is the possibility of realizing the rational distribution of resources, and it is beneficial to overcoming the current phenomenon of the pattern of restriction by short-term acts and thereby to raising the national income in the not-distant future."²³ This needs no further explanation. We may as well point out that many irregularities in citations have been found in this article by Hua Sheng and his associates.²⁴

Reason number 3: At the 3d National Price Theory Discussion Meeting in Changzhou in December 1984, in the discussions on the target pattern of the price reform, the views of the group represented by Comrades Guo Shuiqing and Zhu Zhengming were for a "market price structure under planned guidance." The theoretical basis advanced was: The only concrete form of value is market value, while the only way to realize and manifest market value is market price, and "in a unified commodity economy, plan and market are no longer two separate parameter systems but, on the country, they should be

one parameter system"; the actual experiences were based on the reform in the Soviet Union and West European countries and China's economic construction.²¹ But the views of another group represented by Hua Sheng and his associates advocated a so-called "mechanism price," and, when answering the queries, this "mechanism price" was clearly explained as still a sort of planned price with price fixing by the state (though not wholly fixed prices, yet the great portion of the prices may be floating planned prices).

Reason number 4: After the Changzhou meeting, the views of the two groups were both presented clearly in written form. The relevant portions are presented below for the readers' examination:

Hua Sheng and his associates wrote: "In our opinion, on the basis of a planned commodity economy, the new price control structure should have planned prices of a flexible nature as the principal body. It is necessary to change the prolonged concept of confusing planned prices with fixed prices and seek a new form which can flexibly reflect the value volume and changes in market supply and demand. Concretely speaking, planned prices should include: 1. Floating prices, termed as plan prices; 2. Reported prices of economic organs designated or entrusted by the state's department in charge of commodity prices, that is, guidance price or lead price; and 3. Unified planned prices, which are divided into two categories, one nationally unified and having a relatively wide scope, and the other being of a local character, that is, determined by the commodity price departments at various levels, which are relatively stable but are not crystallized for long. This price control structure will take plan-guidance floating prices and guidance prices as the principal body and use fixed prices and free prices for complement and in supplement."²²

Comrade Guo Shuiqing wrote as follows: "Based on the above analysis of the old structure, we believe that the target pattern for the reform of our country's price structure should be a market price structure under the plan's guidance. If we wish to make a more detailed description of this target pattern, then we may say...prices are formulated by the producers and operators within the scope of the state's policies and legal statutes and in accordance with the supply and demand conditions, whereas in the case of communications, transport, culture, public health, other public goods, and a small number of specially scarce raw materials, the state will formulate unified prices and standards for collection of fees and charges and regarding agricultural products the state's insured price system will be enforced..."²⁷

Reason number 5: The 1986 Issue 3 of the JINGJI LILUN AND JINGJI GUANLI magazine published an article by Comrade Hua Sheng on the topic "On the Balanced Point of Prices Under Socialist Conditions." In the article, Comrade Hua Sheng still explained the five points in the "reproduction price" (concept first

advocated by a Yugoslavian economist), and also offered a formula for computing this type of reproduction price.²³ If Comrade Hua Sheng should read again his article and recall his own sarcastic criticism on price computation of readjustment prices, would he not laugh at himself for having committed the same error though possibly to a lesser extent?

The above-mentioned facts are sufficient to attest to the basic judgement and conclusion we presented before. What needs to be pointed out now is that since 1985 the economic theoretical circles have made a more intensive and detailed study into the target pattern of the price structure. For example, they have probed into the differentiation between monopoly and competitive industry and trade, the differentiation between natural monopoly and socio-economic monopoly, and the determination of the semi-monopolistic and semi-competitive stature, discussed the relations between industrial policy and market price, the relationship between domestic prices and international prices, commodity prices and prices of essential elements, and so on and so forth. On the other hand, recent articles by Hua Sheng and his associates have continued to show that the pattern in their minds was still a kind of muddled thinking which is confused, apparently right but actually wrong, ever-changing and lacking in progress and advancement.

Interim Measures: Origin and Development of the "Double-Track" System.

It is necessary to first point out that the so-called decontrolling, adjusting, and combining, and double-track transition did not originate, as Hua Sheng and his associates claimed in their self-introduction for several times in recent years, from their proposal and were subsequently adopted by the government for implementation beginning from 1985.

Decontrolling, adjusting, and combining have all along been the basic reform measures in our country's price reform since 1979. Measures of readjusting the prices of agricultural products, readjusting the prices of metallurgical products, readjusting the prices of chemical fiber textile products, fully decontrolling the prices of minor products, and decontrolling to a limited extent the prices of electrical machinery products (an upward and downward floating margin of 20 percent based on the originally planned prices), and so on, were all implemented prior to 1984.

As for the appearance of the phenomenon of the double-track (to be more precise, multiple-track) system of prices of means of production, in the beginning it was practically wholly the result of natural development after the start of the reform of our country's economy. Under the traditional structure, in planned distribution in our country there have always existed the two balanced systems of the central government and the local governments. Following the expansion of the enterprises' decision-making power in 1980, production enterprises

began to be allowed to retain a small amount of self-marketing products (such as 2 percent in the case of the metallurgical industries and trades) or to raise the rate for self-use. By so doing, between the localities and the enterprises the scale of the exchange of materials, cooperation in materials or compensation trade has been continuously expanded and, besides, following the restoration and development in commodity and money relations, market price has become all the more open to the public. The 10 regulations promulgated by the State Council in May 1984 relative to increasing the decision-making power of the enterprises for the first time clearly allowed the enterprises to retain a portion, for self-marketing, of the excess or surplus production and the prices of the retained products to enjoy a 20-percent up-and-down floating margin compared with the state's listed prices. (This was 4 months earlier than the Mokan-shan conference). Closely following this, the government further announced the abolition of the restrictions on prices outside the plan, effective January 1, 1985, and the production units were further allowed to follow the trade and market prices. The above facts showed that the origin and development of the price double-track system was not in 1985 put into unified operation by the government following the views and recommendation of certain people. Rather, a comparatively long procedure of changes and development had been passed through. It may be said that we adopted the double-track system by steps.

In view of the fact that in the early 1980's the implementation on a large scale of the price reform had met with certain ideological impediments, it may be seen that in price reform, adoption of the "double-track" form was a transitional or adaptational measure formed gradually in the actual practices on overcoming the impediments, despite that in economics the "price double-track system" is obviously not at all rational. However, after 1984 when the CPC Central Committee adopted the "decision related to reform of the economic structure" which embodied coordinated reform centering in the large-scale implementation of price reform, and after the double-track system led to confusion in macroeconomic control, the widespread corruption and speculative activities, the serious decrease and loss in the state's financial revenues, and the daily occurrences of various defects such as the unjust distribution of income, then the situation took a different form.²⁰ Thus, the controversy of the economic theoretical circles and the departments in actual charge of the pros and cons of the double-track system very soon developed to a rather serious state and the dispute naturally extended to the choice of the strategy of the reform. Those comrades who were more critical about the double-track system believed that the double-track system should not be allowed to drag on and that conditions should be speedily created for reducing the proportion of materials under planned unified distribution and the ultimate decontrol of the great portion of prices, this through raising the planned low prices of the means of production and greatly reducing the disparity between listed

and market prices. On the other hand, certain other comrades held that the double-track system, being a relatively good measure for the transitional period, should be firmly maintained and extended to other sectors. In actual policy practices, the latter viewpoint seemed to have held the upper hand.

It was thus after the double-track system had actually been formed and had even attracted disputes that Hua Sheng and his associates gave publicity to their article related to price reform. They obviously were in favor of the latter attitude and attempted to offer it theoretical support. Nevertheless, despite the fact that Comrade Hua Sheng had special interest in claiming to have the right of invention of the double-track system, yet seen from the reputed representative article originating the double-track system, that is, the article "On the Road of Price Reform Possessing Special Chinese Characteristics," (JINGJI YANJIU No 2, 1985) Comrade Hua Sheng's not-too-glorious claim to the right of invention was still subject to skepticism. This is because: First, in the article there was no clear recommendation to abolish the limitation that the floating extent of the prices of products outside the plan should not exceed 20 percent (whereas at that time abolition of the limitation had already been a reality); second, aside from what was pointed out in the foregoing that Hua Sheng and his comrades took the flexible planned prices as the target pattern, when talking about the method of the price pattern, based on the special logic of "decontrol first and adjustment afterwards," it was recommended that formulation of the extent of floating would be made after the decontrol of the prices;²⁰ and third, in the article the technical term "double-track system" never appeared. It is true that the appearance or not of this technical term has no connection with probing of a scientific character, but it was rather important in proving and acknowledging the right of invention.

Nevertheless, after some comrades discussed the "double-track system" in 1985 and said that it could be the road to price reform with Chinese characteristics and it was met with good response, and after the defects of the system were gradually revealed and increasingly received criticism from social public opinion, only Hua Sheng and his comrades actually took the stand in its defence. They repeatedly pointed out: "The 'double-track system' is a special transformation form which China has found and which has relatively fewer risks and great tolerance; it is a great creation in the reform of China's economic structure."²¹ "China's adoption of the double-track system in pushing forward has enabled the actual dissolution of China's traditional structure and the growth of the market factors to take place in only a few years' time and reach a level or status which took the East European countries several decades of efforts in reform."²² Hence, objectively speaking, for a considerably long period Hua Sheng and his comrades were the warm supporters of the "price double-track system" and the "double-track system" of other structures.

This being the case, how did Hua Sheng and the other comrades explain the relations between the double-track system and such bad phenomena as inflation, corruption, bribery, and so forth? First, they pleaded that people should be "fair" to the double-track system, not ask for too much, and be tolerant with its defects.³³ Second, they claimed that the current double-track system was not the kind of double-track system they advocated but was a "mixed" double-track system or a multiple-track system. On the other hand, the double-track system they advocated could cause plan and market not to interfere with each other.³⁴ Third, infiltration of noneconomic factors such as officialdom and administrative power caused the double-track system to change form.³⁵ Here we do not wish to open up detailed theoretical discussions, except to point out: 1. Regardless of what subjective attitude people adopt, in the continuation of the double-track system, the trend of the disadvantages being more than the advantages to reform and development cannot be in any way changed, and it is futile to pretend not to mind. Even Hua Sheng and the other comrades, in the article "10 Years' Reform," could not but announce that "the double-track system which 'possesses Chinese characteristics' had won a victory in breaking the old structure but suffered a defeat in guiding the combination of the many prices into one and forming a market" and that "now it is obvious that the commander who has lost the battle should be replaced by a more capable one."³⁶ 2. A "double-track system" can make the many prices outside the plan merge or be combined into one and form a barrier between the markets inside and outside the plan, leaving no loophole for the speculator to display his wares³⁷ and, I am afraid, can exist only in the writers' mind and cannot possibly appear in actual life. Experiences have shown that so long as it is a double-track system, it cannot avoid taking the stature of a "mixed" double-track system or a multiple-track system. Take for example the grain double-track system which Comrade Hua Sheng considered to have been a successful example, in spite of the fact that its social production and exchange are simpler than the industrial products, and have the hard restriction in the form of the people's "stomach," which renders it rather difficult for the administrative officials to embezzle the grain coupons; yet because the same category of commodity does not have any natural markings illustrating its status, the discrepancies between the listed price, consultative prices, and market prices are very enticing and the defects brought along are very obvious. (1.) Each year the return flow of grain to the peasants' hands by means of the grain coupons is estimated at more than 10 billion jin. Not to mention the money unnecessarily spent by the state, the transportation of grain, first to the cities and towns and then back to the countryside, wastes a large amount of social labor. (2.) Conversion from parity price to consultation price and vice versa constitute a complicated procedure and provide a fertile ground for corruption, speculation, and practices in violation of financial and economic discipline. In recent years, of the specially outstanding economic cases continuously reported in the papers, many of them were

related to the grain control departments, not to mention other acts disrupting the market and damaging the interests of the state and of the peasants. 3. Official power, administrative power, and the double-track system are inseparable.³⁸ On the one hand, the double-track system provides the condition for the outgrowth of various forms of practices such as "officials profiteering by means of the buying of commodities and then reselling them at higher prices; on the other hand, administration's control over price inevitably leads to the strengthening of the concealed and open double-track system." In short, the main drawbacks of the price double-track system are the defects in its own nature. Due to the conflict between the general laws covering double-track transition and the market economy and the proper policy, strategy, and principle in socialist economic reform, an important factor is formed leading toward and aggravating China's current economic difficulties, although at the very beginning it did carry certain active significance.

Finally, the admission by Hua Sheng and the other comrades on the failure of the double-track system in the formation of the market may lead to effects like those of the collapse of a framework of cards, and make the reluctantly formulated "structural theory" reveal its many defects all the more. But people may ask: If the double-track system is a price reform road which is "suited to China's national conditions" and "possesses Chinese characteristics" how can it be easily defeated in the formation of markets? And if it can be defeated in a few rounds and sorely needs the theory and policy of a more "capable commander," can it be said to be "suited to China's national conditions" and to "possess Chinese characteristics"? Could it be that this was due to the proponents of the "structural theory" formerly employing too many exaggerating and propagating words, or to things getting out of order at present? Since it is recognized that on the side of "merging various prices into a single one and forming the market, the double-track system has suffered a defeat," while "proponents of the structure theory" "take formation of the market to be the entire procedure and difficult point of the price reform" and take it as the place wherein the discrepancy between the "proponents of the structure theory" and "proponents of the system theory" lies,³⁹ then is it equivalent to acknowledging that the "proponents of the structure theory" have met with defeat in the "entire procedure of the price reform and its difficult point" and also lost a point on the problem of "wherein lies the 'actual discrepancy' from the 'proponents of the system theory'?" Hua Sheng and the other comrades did not negate that the current reform in China was oriented toward the market and that "proponents of the structure theory" had suffered a defeat in formation of the market; then is it not an admission that there were certain errors in strategy in China's past reforms? It seems that if Hua Sheng and his comrades strictly abide by formal logic they will find it difficult to complete the subsequent part of the article.

Road of the Transitional Method: A Brief Supplementary Explanation

Quite obviously, we should not in this article make all-round discussions on other concepts and views. But since in their articles Hua Sheng and the other comrades frequently posed as opponents to the academic and policy views of "Wu Jinglian and others,"⁴⁰ it would perhaps be appropriate to briefly explain here the latter's change-of-track proposition in price reform, although in this connection the great majority of the academic productions must be well-known to the economists at large.⁴¹

The basic concepts of this school are definite and clear which is the precondition of a school of thought. On the problem of price reform, this school's main and special points are: (1) Its target pattern is relatively firm and and to the point as already mentioned and attested to in the foregoing; (2) Its method of transition is relatively cautious and specially emphasizes on the full coordination between the various relevant sides; The second point here needs further elucidation.

On the method of transition the first basic proposal is to push price reform in separate stages and by steps. In the various stages, the full effects must be considered, but there must be special stressing points in each and every one of the stages. In the first stage, the stressing points are reform of the prices of the producers of the enterprise and reform of the commercial wholesale prices; in the second stage, the stressing point is reform of the retail prices; and in the third stage, the stressing point is reform of the foreign trade prices.⁴² At the initial stage of economic reform, because the interest relations between the various sides are not clear-cut and not too conflicting, a large-scale readjustment of the price structure is possible, whereas on the other hand the serious twistings in the traditional price structure cause a situation of being far-departed from the market's balancing point and the unsuitability of the whole economic structure, and to first readjust the prices is also necessary. This is an effective way to the safe transition to a market price structure. If taking the situation as a whole decontrol is undertaken without first making an adjustment, nobody can assure that society can stand the force of such an impact.

The second basic proposal is that price reform must be coordinated with the directly relevant sectors such as taxation, finance, credit and loans, and foreign trade, otherwise success of the price reform is out of question. This is because, be it readjusting the comparative price relations or abolishing price control altogether, price changes naturally will immediately be transmitted to and affect taxation, finance, credits and loans, and foreign trade, and to take up the problem of price reform without considering these direct consequences is too simple and childish. It is reasonable that Hua Sheng and the other comrades did not understand this point from

beginning to end. In their appraisal of the 1986 coordination program of "price-tax-finance," they reluctantly admitted that taxation reform "was a good supposition," but immediately turned around and said that if it were linked together with price reform, then taxation reform would be delayed. They suggested that they should be "separately tackled." But the problem's important point is that the twisted taxation structure and the twisted price structure are closely joined together and that if they are separately tackled, neither one can be solved.

The third basic proposal is that price reform must be in line with the construction of the market organization and transformation of the circulating system and also with the changes in the entire economic movement. In the article "10 Years' Review," Wu Jinglian and others were sarcastically criticized for knowing only decontrolling prices but not formation of the market. The article particularly attacked the article by Wu Jinglian and Li Jiang on "Controlling Demand, Smoothing Out Money Circulation, and Reforming Prices."⁴³ But, just as this article pointed out, decontrol of prices is a necessary condition for the formation of a market mechanism but is not the full condition. At the same time, regarding matters such as formulation of market regulations, commercialization of state-run business structures handling material resources, adoption of the system of the state placing purchase orders in planned distribution, and its gradual reduction and elimination, there were problems which Wu Jinglian and his group not only had mentioned much earlier but had also formulated concrete programs to deal with.⁴⁴ As a matter of fact, Hua Sheng and his comrades, when talking on price reform in the past, would from beginning to end revolve around the themes of "adjustment" and "decontrol," and seldom touched on other matters.

The fourth basic proposal is that price reform must have the strong backing of macroeconomic control as the basic condition, and if the gap between gross supply and gross demand is too large, it is exceedingly dangerous to proceed with price reform. Regarding this, Wu Jinglian and other comrades have, since 1984, clearly expressed their views and this is well-known by everybody. Hua Sheng and his associates have never clearly indicated their views on this problem but have continuously changed their way of talking, although in the main they seemed inclined to oppose the guideline of a stringent control of demand. On this problem, we shall discuss more later on in this article.

The fifth basic proposal is that in abolishing price control, differentiation must be made between competitive industries and trades and monopolistic industries and trades, particularly natural monopolistic industries and trades. The new market price structure does not imply that formation of the prices of all products must evolve spontaneously from the role of supply and demand. The government should supervise and even directly control the prices and charges of backbone departments and industries and of public utilities.

The sixth basic proposal is that under the preconditions of acknowledging the double-track system as a strategic move in transition at the initial stage of reform and allowing it to play a definite role in shaking and breaking the old structure and initiating price reform, we should as soon as possible rectify the disadvantageous state of the double-track system continuously extending to other sectors, or being maintained for a prolonged period, or its drawbacks daily accumulating. The reform should proceed along two lines: 1. Regarding products suited to free price fixing in the market and possessing the necessary conditions their prices should be decontrolled and unified with the free market prices; 2. Regarding industries and trades or products which do not possess the necessary conditions or which are of a monopolistic nature or which the state intends, through implementing the price policy, to realize certain economic policies (such as the industrial policy), they should be subjected to unified supervision and price-fixing by the state, either in the form of fixed prices or floating prices, to the end that their price level will, wherever possible, approach the market balanced point. It is true that abolition of the double-track system cannot be accomplished at one stroke. Rather the procedure will consist of a series of mutually related steps but we should do our utmost to strive to make this procedure as short as possible.

Pertaining to Enterprise Reform

First of all, we need to be enlightened by the authors of "10 Years' Review" on what is "enterprise reform." The characteristic of the traditional structure was the administrative direct control of economic life, forming a grand unification of macroeconomy and microeconomy and there being no enterprise of the real sense in existence. Hence, if reform is to build real enterprises, then it implies the all-round improvement and weakening of administrative control, establishing rational economic relations, and forming of a market structure. Seen from this angle, enterprise reform, or formation of an enterprise operation mechanism, formation of a market and letting the market take command, and cutting down mandatory planning or establishing a macroeconomic regulatory system centering in indirect regulation—all three of the above are mutually inclusive and all of the them include all-round reform in such sectors as planning, price, investment, material resources, finance, taxation, foreign trade, and currency. Separated from the reform of any one of the above sectors, "rebuilding of the microeconomic foundation" is impossible and, likewise, the establishment of a macroeconomic indirect adjustment and control structure will be impossible. The three parties, namely the enterprise, market, and macroeconomic control, carry a relatively independent significance only in the sense of their having an organizational system of their own.⁴³ Hence, when we mention enterprise reform in the same breath with reform in other sectors such as price, taxation, finance, and so forth, we must be sure to restrict it to the special confines of the

management form, system of leadership, decision-making, organization, and structure, and relations of right of ownership within the enterprise. However, Hua Sheng and the other comrades, not only in the article "10 Years' Review" but also in other relevant articles in the past, failed to differentiate between these two concepts of "enterprise reform." In the article "10 Years' Review," under the heading "enterprise reform," much space was devoted to discussions on profit distribution, taxation structure, even price reform, financial reform, and so on. This gives people the impression that they were referring to the first concept. On the other hand, later on in the article, the authors centrally discussed problems of property relations, operation rights, and privileges, which gave people the impression that they were having the second concept in mind. This method of thinking which violates the fundamental rules of formal logic naturally brought to the authors many other troubles. A more typical problem is with reference to the problem of which should come first, price reform or reform of the ownership system (enterprise reform). On the one hand, they opposed pushing forth this problem at all.⁴⁴ They pointed out: "It has never been possible to have price reform and reform of the ownership system separated."⁴⁵ and, on the other hand closely following this they wrote "the problem is only determined by which reform having been pushed further or dropped behind more."⁴⁶ Does this not imply that they can be separated? A similar contradiction in presentation is found in the concluding remarks earlier in the article on the dispute on the coordination problem. They wrote: "Thus it can be seen that among China's economic circles the controversy in the coordination problem did not arise from the abstract concept of whether or not coordination is needed but from one side advocating that price readjustment be taken as the foundation stone in coordination whereas the other party upholds using the changes and reform in enterprise or relations of right of ownership as the basic point to consider the matter of coordination."⁴⁷ Here, what did the phrase "changes and reform in enterprise or relations of ownership" refer to? If it belongs to the above-mentioned concept in the broad sense, then there is no point of contradiction in view, but if it belongs to the concept in the narrow sense, then how can it be taken as the basic point in the coordination reform? If it belongs to the latter, then it would be putting the cart before the horse because reform in planning, price, finance, investment, and credit and loan, which is intimately related to whether or not the enterprise has the decision-making power in personnel, finance, property, production, supply and marketing seems to be of no importance while much is written on the system of ownership in respect of the legal interpretation of the enterprise's organization system.

Reform of the Ownership System. Is It Necessary To Maintain the State Ownership System Occupying the Dominant Position?

In an earlier part of the article "10 Years' Review," a high appraisal was made on Comrade Dong Fureng's viewpoint on the need to reform the form of the state

ownership system in the system of ownership by the whole people, pointing out that "Despite the fact that this idea still has not wholly explained the liaison between the system of ownership by the whole people itself and the form of state ownership, its theoretical discerning power and advanced nature are quite obvious today. It is regrettable that at that time such an internationally advanced idea did not attract the response it deserved but on the contrary was unfairly treated and clamped down." From this quotation, people get the impression that the authors were in favor of the proposal to reform the form of state ownership. To prove this we may quote the following from the article: "Regarding employment of the form of the stock-holding system in economy under the public ownership system, the great majority of comrades of the theoretical circles are not divided in their views. The crucial point of the dispute is the shareholder problem of the ownership right problem. People feel doubtful if the state controls by far the great proportion of the whole portion of the shares, then in essence this has no difference from the state's direct control."

However, be it Comrade Dong Fureng's 1979 idea of non-state-owned system or pluralism in ownership right which the majority of economists today approve, Hua Sheng and the other comrades' past attitude was always a wavering one. Although it cannot be said that they accorded them with "unfair treatment," it cannot be said that they did not make the response they deserved. Certain testimony can be found and this is in early 1986. Hua Sheng and other comrades were still opposed to abolition of the leadership status of the state ownership system.¹⁰ This may be proven by the following quotation: "If resorting to the share-holding system is meant to change the leadership position of the state ownership constituency in the economy as a whole, then in essence it is different from the assets management responsibility system, if resorting to the share-holding system is meant to provide different economic constituents with an external form which is commonly contained or accepted, then it will be only half a step apart from the assets management responsibility system, because the latter opens the door wide for the circulation of funds among enterprises under different ownership systems."¹¹ Quite obviously, these words mean that the assets management responsibility system is better than the share-holding system but that in the case of the stock-holding system, if..., then it is possible that there will be an essential distinction. From then on Hua Sheng and the other comrades devoted their whole attention to the "assets management responsibility system," and seldom discussed the problem of whether or not the state ownership system occupied the dominant position, and the stock-holding system and the "assets management responsibility system" coexisted in peace. But at the end of 1986 or early 1987, at a meeting Comrade Hua Sheng suddenly declared: In the past when people advocated the substitution of the state-ownership system by the stock-holding system and

the private ownership system, I banged on the table and arose...." This once more astonished people who knew or did not know about the incident.

On the one hand, being in favor of the transformation of the form of state ownership and on the other hand continuously insisting on preserving the framework of the state ownership system, Hua Sheng and the other comrades seemed not to know their exact academic stand, and naturally we could hardly blame them for misinterpreting other people's views. We may cite another incident related to the heading of section. The article "10 Years' Review" criticized comrade Guo Shuiqing and others because in 1985, when they presented their proposition on planning of the general structure, they overlooked the fact that "the existing enterprise structure could not support the operation of a market economy."¹² The reasons were: in the line of thinking of Guo Shuiqing and the other comrades, the first stage and the setting up of an "enterprise pattern" consistent with a well-organized commodity market consisted of only "resolutely and firmly streamlining the administration and delegating power" "to enable the enterprises' after-tax profits to form various sinking funds in accordance with the ratios prescribed by the central authorities"; and the "stipulations in the second stage" were also intended to let the enterprises freely dispose of their after-tax profits."¹³ Regarding this comment, there are several points of which the authors should be reminded; (1) From the source mentioned by the authors, we are unable to find the wording, cited in the comment, of "resolutely and firmly streamlining the administration and delegating power." Could it be that this was a fabrication engineered by the authors? (2) Use of the term "enterprise pattern" to generalize the words spoken also commits the error in concept as mentioned in the foregoing because the original text also included contents of a special heading "enterprise organization system" and other contents of similar importance to the enterprise as the distribution of profits; (3) In the stage of formation of the commodity market, is it possible to let the enterprise freely dispose of the after-tax profit? How intensive would be the changes in the economic mechanism implied in the ability of the enterprises to freely dispose of or distribute their after-tax profits? Finally, what we must strongly point out is this: The same research report commented on by Comrade Hua Sheng contained the following passage relative to the coming target pattern: "Economy under the public ownership system occupies the dominant position, but the ratio of the singular state ownership system will fall greatly and economic forms of the collective, jointly-financed, joint stock-holding and various mixed types will be fully developed. In addition, economic constituents of the individual category and of national capitalism, under the precondition of no change in the dominant position of the public ownership system, will similarly be encouraged to coexist and develop. In the case of enterprises under different ownership systems, their production, operation, and income distribution will have different and special features but the various operation units must

abide by the common regulations of the commodity economy."⁵⁴ We do not know if all this is included or not in the contents of the definition of "enterprise pattern" in the eyes of Hua Sheng and the other comrades.

After certain comrades among the theoretical circles put up the supposition of the stock-holding system,⁵⁵ the great majority of comrades agreed that this would be the direction of the transformation of state-run enterprises but under the conditions at that time of there having been little change in the serious situation of the economic relations and talking about a currency market being out of the question, people were still skeptical about the adoption of the stock-holding system producing immediate and general effects. Even today, after rather substantial changes have taken place on all sides, we still believe that enforcement of the stock-holding system must be planned and by steps and that we must first separately and in different periods solve the problem of clarifying the ownership right of state-run enterprises.

Enterprise Reform: "Assets Management Responsibility System" and Contract System

Equally puzzling to people is the appraisal by Hua Sheng and the other comrades on the "assets management responsibility system" and the "contract system."

Let us look at first the relationship between the two. According to the way the economic circles look at it, the "assets management responsibility system" is only a kind of contract system. However, both in 1986 and in 1987, Hua Sheng and the other comrades repeatedly declared that between the two there was an essential difference. They actually seriously criticized other contract systems outside of the "assets management responsibility system." In the summer of 1988 Comrade Hua Sheng expressed two views about the contract system: "1. Prior to the contracting program being put on the table, we did firmly oppose it and had a long and violent dispute with the responsible comrades of the relevant departments... 2. As we see it today, the contract system does have many problems, but its functions are prominent among which may be mentioned the special playing-up of the status of the entrepreneur, smoothing out the party and enterprise relations inside the enterprise, strengthening the profit-making motive of the enterprise, finally, specially and by steps going into the realm of the competitive mechanism. Its contributions are obvious." Moreover, Comrade Hua Sheng angrily rebuked other people, saying: "I do not not approve of those whose attitude when touching on enterprise contracting will downgrade it as a transitional measure, as if it were not worth being mentioned at all." At an international conference he "introduced our country's experiences and the result was that not only did the developing countries feel interested but also representatives of the developed countries showed their interest."⁵⁶ It is thus recognized that Comrade Hua Sheng not only is not in favor of contracting but also frankly admitted his past opposition

to contracting. Here, Comrade Hua Sheng, on the one hand, said that the "contract system went around a circle on the problem of the base figure for profit distribution," that "which easily deviated from and changed this nucleus of the enterprise's internal mechanism" and that "with the existence of the problem of a base figure for distribution, actually competition could hardly be carried out";⁵⁷ on the other hand, he said: "The central authorities repeatedly emphasized that selection of the entrepreneur should be on a competitive basis" as "only by so doing could new blood be injected into the contracting."⁵⁸ What puzzles people is that if under the condition of equality among the enterprises "competition could hardly be carried out," how is it possible "to have the selection of the entrepreneur be made on a competitive basis"?

If we could find any lead in the words of Hua Sheng and the other comrades, then the generalization would be something like this: The "assets management responsibility system" is the forerunner of the "contract system," but between the "assets management responsibility system" and the "contract system," there is a basic difference. The active role of the "contract system" is important because it has absorbed the principle of competition originally wanting which is the strong point of the "assets management responsibility system." Continuing this logic, we obtain the following conclusion: I oppose the contract system because it has serious defects but I also support the contract system because after the contract system has absorbed my ideas, its "contributions are outstanding." If the contract system goes wrong it is not my fault; but if it goes right then the credit is mine!

In the development of economic theory, probing into the "assets management responsibility system" is not without meaning, but history has mercilessly recorded its demise in actual practice, giving no regard at all to its past prominence. In this connection, Hua Sheng and the other comrades gave it very casual treatment and attributed the cause to outside factors. This can hardly be said to have been up to reason. The crux of the problem is: the "assets management responsibility system" banks everything, like placing a bet, on the shoulder of the person (entrepreneur) obtaining the tender. Rather, it should perhaps be said that the bet is placed on his promises, whereas in the realistic environment there is no rigid or restrictive mechanism protecting such promises. Speaking from another angle, under the conditions of prices not having been smoothed out; the taxation structure and the financial structure still possessing the serious drawbacks of the "double-track" and even the "multiple-track" systems; and the conditions of the markets for commodities, material resources, and the essential factors for production not having yet, though initially established, acquired perfection or full development; and of enterprise management and operation being still in a state of confusion, many changes, and lacking in the minimum degree of competition in equality; what possibility is there of making a rational appraisal of the

near-market true prices of the existing assets, and how great is the capability of the departments in control of the assets to make a rational estimate of the anticipated yield from the assets? Following the trend of an environment in which short-term acts are highly prevalent, speculation and resort to trickery to further one's interests are getting more serious, and in which the more macroeconomic control is loosened the more it becomes impotent, how many entrepreneurs are willing to get into trouble and increase their burden of economic risks and responsibilities? The contract system is easier to carry out in comparison with the "assets management responsibility system" because the government accords the enterprises with interest coding and at the same time make it possible for them to earn profits by means of the assets. Precisely because of this, under the conditions of macroeconomic control not being implemented scientifically and lacking the necessary effective measures, the defects of the contract system (such as price raising by the enterprises and the random payments to consumption funds) are more obvious than its strong points. (This refers to the general situation and not to a few exceptions which are in the minority such as the case of the Capital Steel Plant). As a result, this causes controversies on the pros and cons of the contract system among theoretical circles.

To overcome its own defects, the contract system should on the one hand intensify the reform of the labor system and develop enterprise merging and amalgamation but, more importantly, on the other hand it should devote great efforts to smooth out the basic economic relations (including enforcement of price reform, taxation reform, and so forth), replace the ossified and confusing administrative mandatory relations by means of rational economic interest relations, and gradually perfect the market structure so as to create an environment for the enterprises to operate autonomously and compete with each other in equality and thereby to gradually create the conditions for the transition to the stock-holding system and other forms of making the ownership right become concrete and clear-cut. The highest policy-making organs of the enterprises should be able to select the most suitable managers and should not allow the managers to select the enterprises which make the lowest demands (the lower the better). But by so doing, they will have to return to the line of thinking of coordinated reform involving various sectors such as price, taxation, finance, currency, and enterprises. Once again they will be subjected to the sarcasm, taunts, and attack by Hua Sheng and the other comrades.

On "Regarding Control of Gross Demand"

If it is said that in the article "10 Years' Review," the two chapters on price and enterprise, respectively, are full of many confusing and unclear views, then the chapter on control of gross demand is on the whole apparently right but actually wrong—or conceals faults and glosses over wrongs. On whether the current policy and guideline on control of gross demand are tight or

loose, the article did not make an answer, but after reading over the article several times one may discover that the authors were inclined to the loose side and even to the extent of refusing to admit the inflation that factually existed (because they clearly stated: "Although from 1984 to 1986 the gross demand indicated a 'sustained inflation,' the speed of the increase in money in circulation was not high."⁵⁹ In this chapter, the analysis and conclusions made by Hua Sheng and the other comrades were rather peculiar: in the course of the periodic changes in gross demand inflation, gross demand inflation was caused by the structure; insufficiency in gross supply was caused by policy. During these several years, the several errors and mishaps in the macroeconomic policy were all due to the artificial "causation of insufficiency in effective supply, thereby further aggravating the contradiction between gross supply and gross demand."⁶⁰ The analysis and conclusions made by Hua Sheng and the other comrades made people become confused in their understanding of the state of the over-heated economy and inflation.

A Point in Historical Review: What After All Did Hua Sheng and the Other Comrades Advocate?

Because in the article "10 Years' Review," when the topic of control of demand was touched on, it referred many times to the relevant disputes (though in part or on only one side), it is necessary for us to make clear the authors' past views. This will help in understanding their current views.

It must first be admitted that Hua Sheng and the other comrades in 1985 did concur with the fact of inflation appearing in gross demand. Besides, they specially mentioned that inflation in consumption funds (individual income) carried a special significance.⁶¹ However, soon after the government adopted the macroeconomic tightening measures, these comrades, using one plea or another, opposed this tightening.⁶² But they themselves could not offer a better program for implementation. Early in 1986, Hua Sheng, Zhang Xuejun, and other comrades, in an article jointly signed by Hua Sheng and Zhang Xuejun, repeated the conclusion made by Zhang Xuejun which was that "shrinking of the gross demand was about time."⁶³ What effects this caused in the loosening of the money market in the second quarter of 1986 everybody is aware of. We shall not mention more.

In the spring of 1987, when certain comrades alleged that "the conclusion of the economic situation being extremely serious and needing a major operation, had been unrealistically reached," Zhang Xuejun and other comrades declared that "the national economy had steadily 'cooled off,' and that 'a tendency was initially formed of the gross demand being smaller than the gross supply.'"⁶⁴ Speaking from mere wishes, this was certainly good news which everybody welcomed, but we regret that it lacked objective basis. At the time, Zhang Xuejun and other comrades told people that "the 'excessive volume' of money in circulation at present was not

entirely converted into effective gross demand, the reason being the new trend of credit intensification," and that "expansion of bank credit is the main content of credit intensification in our country, and is also an important cause of the too-fast decline in the speed of money circulation in our country."⁶³ We cannot mention one by one the many violations of knowledge in economics in this article but one problem should be pointed out, that is, the relationship between credit intensification and currency (cash) increase. As everybody knows, the monetization of the national economy will bring about a drop in the speed of the circulation of money. In our country, the process principally occurred in the period from 1979 to 1984. Since then, this change has clearly been reduced. As for credit intensification, it is not the same thing at all as monetization of the economy. Credit intensification implies increases in deposits and loans, expansion, and increase in payment by transfer, and not in an increase in cash settlement. This being the case, why is it that there is an increasing demand for cash issuance (banknote issuance)? Generally speaking, credit in our country has not yet been intensified to the realm of payment by individuals. How is it possible to change the nature of an excess volume of money turning into effective demand? In our country, cash is, in the main, held in the hands of the residents for use in retail purchases of commodities. If cash intensification means that the residents avoid use of cash in payment or settlement, then naturally it will reduce the increase rate in the volume of banknotes in circulation. This is readily understandable.

In early 1988, Zhang Xuejun and other comrades reported good news to the public, that is, a great improvement in the macroeconomic situation. "Aside from a few instances, the various principal targets of the national economy have been kept under effective control; on this basis, the new factors supporting economic growth have achieved development and the whole picture of the national economy has made pleasing changes favorable to its further development." And against people's general concern with the situation of commodity prices, they clearly pointed out that the 1987 retail sales price index exceeded the planned targets by 1 to 2 percent except for a certain phenomenon caused by the periodical fluctuations in agricultural production, namely, "a phenomenon which a commodity economy can hardly avoid and which is not directly related to the economic situation of a certain year becoming better or worse, or the existence or not of inflation in gross demand." "Simply copying the concept of total volume analysis from the west or in accordance with our country's tradition may not produce correct conclusions." In 1988, "hog production will rise again, and hence, can be solved readily," regardless of whether or not new problems have appeared on the side of control of the gross volume during the year.⁶⁴

Obviously the optimistic sentiments they represented definitely produced actual effects. They caused the understanding and treatment of inflation to come

behind time. Probably we should not question or doubt the motives of these comrades, but so far as the great majority of economists are concerned, the sustained inflation in gross demand since 1984 is a simple fact which can be attested to immediately with no waste of time. Despite in-between periods when the inflation speed did not stay unchanged and that sometimes it was faster and sometimes slower, as a whole it was an accelerated one. In this context, inflation of the gross demand was of the "vertical type," in spite of the fact that the vertical line was not an exactly straight one, while the "periodical theory" was not in harmony with the hard facts of the excess demand being accumulated yearly and inflation daily gaining in speed. Limited space has prevented us from citing a series of basic statistical figures. The serious development of inflation since 1988 and the recent guideline of the central authorities on improving the environment, rectifying the order, and deepening the reform on all sides will not be taken as accidental. After all, it is necessary to face reality and make a thorough summation of the controversial disputes of recent years and not to try to avoid doing so.⁶⁵

Over the past several years, serious disputes have occurred around the judgement of macroeconomic trends, while Hua Sheng and the other comrades have all along taken comrade Wu Jinglian as the target of their criticism. Regardless of the actual composition of truth in the viewpoints of the various schools or cliques, actual practice after all should be the final yardstick for the examination of truth. Hence, as of now, so far as Hua Sheng and the other comrades are concerned, the important thing is not to advocate any new viewpoints in dispute with other people's past treatises, but to be brave enough to again sort out their own viewpoints based on reality over the past years, and then take up the responsibility to make a certain analysis of the economy at the moment.

Causes and Treatment of Inflation of Gross Demand

A change in understanding which the article "10 Years' Review" trend as having "far-reaching effects" was that "the cause of inflation in gross demand could possibly or principally be due not to error in policy but to the economic structure itself lacking the innate restrictive power and not or principally not due to deviation in the macroeconomic guiding ideology but due to the irrational structure of the microeconomic management and control."⁶⁶ From this the demarcation between the "structure theory" and the "policy theory" in demand inflation emerged. However, here there existed the same tactic as that on the problem of price reform and hence the same kind of contradiction and defect.

First, does a causation of a policy nature exist? Hua Sheng and the comrades nearly approached a total negation of it. In the article "10 Years' Reform," they completely refuted people's criticism in recent years of the errors in macroeconomic policy and their recommendation for rectification. Their reason was that high

consumption had the backing of high income and "doubling and redoubling in advance" was mainly a role to be played by the state-owned enterprises.⁶⁹ By so doing, it made the talk about "strengthening macroeconomic control" become empty talk; "improving the environment" become "superfluous;" "compressing the atmosphere" and "refraining from scrambling for speed" become aimless efforts. And all the discussions on improving the macroeconomic environment and checking or restricting the inflation in gross demand should wait until the formation, after reform of the structure, of the restrictive mechanism, market for essential factors for production, and a new ownership system and form of microeconomic management and control. The hitch is that if gross demand is allowed to develop freely, any kind of reform talked about can hardly be carried out or achieve its target, because in an environment of credit, loan, and finance being in a lax state, it will never happen that the enterprises will keep themselves within bounds. Moreover, it can be said for certain that those enterprises with such a self-restrictive mechanism will ipso facto forego or lose such a mechanism altogether and we need not mention those state-run enterprises which in the first instance do not possess such a mechanism. As for the allegation that the macroeconomic adjusting and controlling policy "do not have any factual effect" on the non-state-run system which is solely responsible for its own profits and losses, and particularly on the town and township enterprises and individual economy, there is no actual basis for its support. In fact the reason why "those enterprises which are not under the system of ownership by the whole people and which directly depend on the market" have become the principal factors causing over-heating and violent undulations of the economy is precisely that they have depended on an over-brisk "market" environment caused by a macroeconomic policy which goes after high speed. From the date of their birth, the newly risen town and township enterprises after 1979 have all along been under blessings of a slanting macroeconomic policy, a favorable reform strategy, and the major protection and support from governments at various levels anxious to achieve the double or redouble target in advance. It may be said that the super-sped development in these recent years of the non-state-run enterprise system is not due to the macroeconomic policy having lost its "substantive influence" over them, but due to the results of the macroeconomic policy playing a direct role. At present the denial or repudiation of the saying on causation of a policy nature and the extent of its influences cannot, under the conclusion of "insufficiency in gross demand," exonerate them from having at one time advocated the policy of expansionism.

Naturally, Wu Jinglian and other comrades have never denied that the problem of structure was the deeper cause of inflation in gross demand. On the contrary they very early pointed out the possibility of inflation in demand in the mechanism during the transformation of the structural system.⁷⁰ Subsequently they repeatedly gave advanced warning and pointed out that inflation

and the drop in efficiency were becoming actual dangers; they over and over again emphasized the dangerous character of the coexistence of the two structures and mentioned that it might lead to macroeconomic loss of control; they pointed out that the old structure still occupying a dominant position would impede the formation of a restrictive mechanism; and they asserted the possibility and necessity of speeding up the reform. Hua Sheng and the other comrades perhaps cannot forget that these viewpoints were at one time the objects of their criticism and attack on many occasions. For example, on the question of the speeding up of the reform, from 1984 to 1985, Hua Sheng and the other comrades thought that price reform could be safely completed in 5 to 6 years' time, and also stressed the important value of the so-called "golden period."⁷¹ But in 1986, they came to understand that China's reform was "a stupendous and long-term historical procedure" and frightened people with stating their anticipation that it would require the "efforts of several generations." For a time, they continuously called for "departing from the atmosphere of speeding up the transition." Nevertheless, this change of mind did not imply any change in attitude toward improving the environment and rectifying the order as talked about today. On the contrary, since in 1985 when Guo Shuqing and other comrades advanced the proposition to improve the environment and to prepare the necessary conditions within 1 to 2 years' time, Hua Sheng and the other comrades were opposed to it and up to the appearance of the article "10 Years' Review," the authors continued to adopt an attitude of sarcasm and made the utmost endeavor to completely negate the concept of a "lax environment."⁷²

However, it should be stated that recently in another article Hua Sheng and the other comrades definitely acknowledged the necessity of rectifying the order and improving the environment, and offered a series of suggestions for implementation. Besides, they seemed to acknowledge the importance of the policy causes and policy methods of demand inflation. They wrote: In the treatment of the economic environment, the main point was to "absolve the inflation," while in improving the political environment, the main point was to "punish greed and corruption." Aside from the fact that the propositions themselves should still be examined as to their feasibility (such as in recent years the government's attempt to control the index of the prices of consumer goods within a 10 percent limit), in principle the views of Hua Sheng and the other comrades were exceptionally close to those of the great majority of the economic circles.⁷³ Nevertheless, Hua Sheng and the other comrades, after changing their own viewpoint, still could not face reality and admit their past mistakes. Rather, they still violently attacked those people who had earlier criticized the policy of inflation and pointed out its consequences. This was rather unreasonable.

Control of Money Supply and "Effects of the Simple Monetary Doctrine"

The spearhead of the criticisms by Hua Sheng and the other comrades on the question of macroeconomic management was not only directed domestically, because, in the end, they also soundly censured the monetary theory abroad.

Just as they concluded that the "serious discrepancies in the production conditions in the localities" was due to the "different localities marketing out their spheres of influence,"⁷⁴ which really made people laugh, they claimed that the differences in the judgement about the trend of gross demand among the Chinese economists were largely related to the propagation of the monetary doctrine in China,⁷⁵ and believed that the direct cause of taking the over-supply of money as inflation was the "effect of the simple monetary doctrine."

The most powerful weapon to criticize the limited character in the early stage of the monetary doctrine is the "speculative demand of money." Because of the introduction of this concept, monetary demand is not simply "exchange demand," and hence money plays a reciprocal role, not only with general prices, but also with the price level in the market for the essential factors for production. This generates the theoretical model of the "circulating pits" and draws the conclusion that in the short run, creation of effective demand by the government plays the active role of preventing and curing depression in an economic crisis. However: first, this takes a typical modern capitalist economy as the object for analysis; second, it does not refute that the rise and fall in the general price level is a kind of monetary phenomenon; and third, even in a capitalist economy, expanding demand is only a short-term policy and cannot become a medium- or long-term policy.⁷⁶ If it is an economy that is restricted by material resources and not by demand, then the above-mentioned analysis and conclusion may be said to have basically failed. In short, the direct cause of a sustained rise in the commodity price level is the excess supply of money and this is economic knowledge commonly acknowledged by the various schools. This was why since the 1985 "Bashan Conference," at the various international discussion meetings convened by our country, regardless of whichever country and whichever school of thought (including the famous representative of Keynesianism, Professor Tobin, and the great teacher of modern monetary doctrine, Professor Friedman), everybody suggested that China must firmly restrict demand and control the increase in the volume of money supply, even to the extent of applying administrative measures and direct control or else serious inflation would be the consequence.

The article "10 Years' Review" made use of the data found in Comrade Wu Xiaoling's article, but failed to say a single word about the basically different conclusion of the original author. From the borrowed data, the tabulation on so-called "comparison of targets of the supply volume of money with targets of the national economy" seemed to offer a powerful basis for attesting

to its observations, but the error committed here may be said to be connected with the problem of a common knowledge on the side of money. Due to space limitations we shall not open discussions on this score. We would like to remind the authors: If the growth rate of the social gross output value and the national income are computed at the current year's prices and not at unchanged prices (this tallies more with logic) and we correctly consider the time-lag factors, that is, time-lag of half a year or a year, we believe that the authors will not be so confident with the current conclusions.

Finally, it is necessary for us to point out: the academic utterances of the winner of the Nobel Prize are the words from only one source, and experiences of other countries may also be considered as "episodes" that need not cause offense.⁷⁷ These facts really carry nothing of important significance, but to use them to testify (indeed such testimony is of a very peculiar nature) that China's inflation in gross demand had no connection with the over-supply of currency would not be a simple matter. If this is taken as a viewpoint, and naturally it can be insisted upon and propagated, then we have reason to fear that if such a viewpoint affects actual policy there is no doubt it will bring disaster to the country and the people.

Brief summary: The article "10 Years' Review" began with stating that its purpose was to summarize the history of the 10 years' reform and provide an answer to people's "fundamental problems" arising due to inflation daily becoming more serious, and such passive phenomena as injustice in distribution and corruption being widespread and thus breeding questions as to whether or not "the reform had made basic errors." The selection of such a theme is praiseworthy, but the problem is that the answer should start from historical facts and from the experiences and lessons gained from the successes and failures in the ten years' reform to find out the cause, and the way out, of the current predicament. Unfortunately, the authors did not do so. Rather, they evaded many of the important historical facts of the 10 years and selected for attack those who had solemnly and earnestly spent time in reflection. And after making various kinds of abnormal, supurious, and questionable proofs, in the end they "jumped" to their predetermined conclusion, which many people cannot understand, to the effect that "the difficulties met with in China's economic reform did not denote the failure in the past reform strategy but proved to the contrary the success of this stage of the strategy!"⁷⁸ After following and examining the three problems which the authors of the article prescribed, namely, price reform, enterprise reform, and control of gross demand, we regret to have to point out: They have failed to convincingly and concretely prove the success they described of the "general sequence of events" of the reform. For example, take price reform; the authors of the "10 Years' Review" wished to prove the correct nature of the "line of the double-track system," but in the end had to admit that it was a "commander who had lost the battle"; they wanted to prove that the "contract system" and the "assets management responsibility

system" made "notable contributions" to the realization of enterprise reform, but under the conditions of the lack of just and fair competition and the occurrence of serious inflation, this kind of enterprise structure, which itself is of a very great limited nature and has many defects, cannot in an all-round way and effectively "bring about a competitive mechanism," thus failing to allow the entrepreneurs to fully display their creative spirit, and this is an obvious fact; they circled around the problem of control of gross demand, tried hard to prove that the rise in commodity prices had nothing to do with the large or small amount of currency in circulation and had little connection with the macroeconomic policy, and this was all the more unacceptable to people who have suffered and are still suffering from the bad effects of inflation caused by the excess issuance of banknotes for many years in succession. In short, the article "10 Years' Reform" was unable to accomplish the tasks it mentioned at the start and it looks as if these tasks must be left to the next section (retrospect) to complete. As for the measures taken by the section on "retrospect" to complete the task of making a general summary of experiences which the commenting circle repeatedly requested, and to answer the "various doubts" expressed by the populace, we shall comment in a later article.

Before the termination of this article, it is perhaps necessary to point out the following: despite the fact that we have frankly criticized the series of viewpoints and lines of thinking of Hua Sheng and the other comrades, we believe from beginning to end that the probings and studies made by Hua Sheng and the other comrades during these years were not without significance. Moreover, even though we have pointed out the many erroneous proposals which we believe to have produced considerable effects, we still hope that they will become unimportant and minor episodes on the road of the academic growth of the authors. If there is any more hope we wish to make then it is related to the theme of this article; that is, economists must first of all respect history and facts. This is all the more necessary at this time of our country's reform and development facing difficulties and challenges. Of this we shall remind ourselves as well.

Footnotes

1. The preamble of this article clearly states: "The article reviews the main procedure of China's economic reform over the 10 years, particularly since 1984 and reviews certain principal progresses, disputes, and discussions on the economic theories covering the various sides of reform of the economic structure and macroeconomic management," JINGJI YANJIU No 9, 1988, p 13. At the scholastic discussion meeting on "40 Years of the Chinese Government's Acts in China's Economy and Their Influences," Hua Sheng and other comrades made the following introduction: This "Research Article" "systematically narrated the main course and principal successes and failures in the 10 years of our country's reform," "answered people's various questions arising

from the current dilemma in China's reform," and "made people's understanding expand to an entirely brand new arena. Social scientific workers should strengthen their sense of responsibility for the era and be brave in probing into the big and important problems of the reform and its development." SHIJIE JINGJI DAO BAO, 21 Nov 88.

2. JINGJI YANJIU, No 9, 1988, pp 14, 15.

3. Xue Muqiao: "Certain Views on Reform of the Economic Structure," RENMIN RIBAO, Jun 10, 1980; "On Readjustment of Commodity Prices and Reform of the Management Structure of Commodity Prices," Jul 10, 1980; "Certain Problems Regarding the Current Economy of our Country," published by the People's Publishing House, 1980 edition, pp 164-179.

4. "Discussions on Reform of the Socialist Economic Structure by Bruce and Sikke," compiled by the Economic Research Institute of the Chinese Academy of Social Sciences, Legal Publishing House, 1982 edition.

5. See Zhao Ziyang's government work report to the 4th session of the 5th NPC: "The Current Economic Situation and the Economic Construction Guideline From Now On," Nov 3 and Dec 1, 1981. A section of the report stated: "In recent years, in observance of the demands of readjustment, promotion of readjustment and coordination with readjustment in such sectors as agriculture, industry, finance, and trade, and on such sides as the form of the ownership system, form of planned management, form of operation and management and form of distribution, we have carried out certain reforms. These reforms have achieved noticeable results in such aspects as arousing the enthusiasm of the various sides, invigorating the economy, and promoting the development of production. However, these reforms were of a partial character and were probing in nature, and there were problems such as the lack of continuation or succession and coordination in work. Our current tasks are to sum up the experiences of the reform in the preceding stage and through meticulous investigation and research and after making repeated scientific tests and appraisals, formulate as soon as possible an overall program for the reform of the economic structure for gradual realization."

6. JINGJI YANJIU No 9, 1988, p 18.

7. The recommendation of the CPC Central Committee "On Formulation of the Seventh 5-Year Plan for the National Economy and Social Development" states: "In establishing a new type of socialist economic structure, principally we must grasp the liaison of the three sides: First, further strengthening the vitality of the enterprises, particularly the large- and medium-sized enterprises owned by the whole people, to enable them to truly become socialist commodity producers and operators who are independent, operate autonomously and are

solely responsible for their own profits and losses; second, further developing the socialist planned commodity market and gradually perfecting the market structure; and third, gradually converting the state's principally direct control to principally indirect control and principally employing economic measures and legal measures and adopting necessary administrative measures to control and regulate the economic operations. It is necessary to center around these three sides to grasp well and in a coordinated manner the reform the planning structure, the financial structure, the currency structure and the labor wage structure.

8. The CPC Central Committee's "Recommendation on Formulation of the Seventh 5-Year Plan" states: Based on an all-round analysis and scientific estimation of our country's economic and social conditions, economic and social development during the "Seventh 5-Year Plan" period must abide by the following basic guiding principles:

—Firmly insisting on putting reform in the first place and making reform and construction be suited to each other and promote each other...construction arrangements should be beneficial to reform's progress....For the sake of the smooth progress of the reform, it is necessary to rationally fix the economic growth rate, stop blind scrambling to be ahead and also stop the blind seeking of a fast growth rate in production value and production volume and avoid stringency and disruption in economic life, so as to create a good economic environment for the reform. The direction of the reform must be firmly insisted on, the steps of the reform must be safe and steady and the various reform measures must be coordinated ...

—Firmly insisting on social gross demand and gross supply be basically balanced ... The central problem here is based on the capability of national strength and along with making good arrangements for the people's living, we must pay close attention to rationally fixing the scale of fixed assets investments, to accomplish the objectives of state finance, credits and loans, material resources and foreign exchange being separately balanced and reciprocally and in the aggregate balanced. These are the basic conditions for ensuring coordination in economic proportionate relations, stability in economic life and smooth progress in the reform.

9. According to our knowledge, among the writers of the "10 Years' Reform," there were people applying for participation in the work of the enterprise specialized unit. The work of this specialized unit produced useful results, enabled many of the reform workers to acquire an understanding of the direction of the enterprise reform, and improved the capability of the enterprise reform programs which had been relatively well planned. Hua Sheng and his comrades, simply because people did

not accept their program of "assets operation responsibility program" which they had firmly insisted upon, just brushed aside the work of the comrades of the "program office." This was manifestly unjust.

10. Thus it can be seen that the facts were not like the description made in a disdainful manner by the authors of the article "10 Years' Reform" to the effect that the proponents of coordinated reform "had merely spoken once on linking together the structures of the enterprise, market, and macroeconomic regulation and called that coordinated reform." In fact, they were fully aware of the details of the 1985 discussions on the reform strategy and of the conditions of the planning work on the 1986 coordinated reform from the basic road of thinking to the program for enforcement since many of the comrades among them had taken part in the discussions and studied the relevant documentations. As for why under the conditions of their basically understanding the whole procedure, they were still subjected to comments that "what they knew were only the several large aspects of the reform, did not offer any workable program, and even should not be taken as a line of thought," (JINGJI YANJIU 1988, No 9, p 23) we simply do not know how to speak of them!

11. Article by Hua Sheng, He Jiacheng, and Zhang Xuejun, "China: Stability and Improvement in Economy and the Historical Conversion," SHIJIE JINGJI DAOBAO, Jan 19, 1987.

12. Many articles have appeared making such an analysis. We may refer to such articles as the one by Wu Jinglian, Hu Ji, and Li Jiange "A Study on the Construction and Reform Experiences Since the 3d Plenary Session of the 11th CPC Central Committee" and the article by Wu Jinglian and Zhou Xiaochuan, "The Situation and Choice Facing China's Reform of the Economic Structure." The above two articles may be found in "Planning of China's Economic Reform," Zhongguo Zhanwang Publishing House, 1988 edition, pp 438-460 and pp 3-24 respectively. The recently published "Study on an Analysis of China's Economic Tendencies and the Countermeasures Thereon" published by the Zhongguo Renmin Da Xue publishing house (1988 edition) carried analyses made by Wu Jinglian and other analysts on the situation of the economic development and economic reform since 1984. These articles also reflect to a rather large extent the thinking of people holding these viewpoints.

13. Article by He Jiacheng and Zhang Xuejun "Actual Situation of China's Economy in 1987," SHIJIE JINGJI DAOBAO, Feb 8, 1988.

14. All the above seen in article "Actual Condition of Our Country's Economy in 1987."

15. JINGJI YANJIU No 9, 1988, p 13.

16. Even in the course of debates of a speculative type, authors of the "10 Years' Review" frequently violated the usual rule of "just competition" in academic debates. Problems of this kind will be referred to later in this article.

17. In the "10 Years' Review," when touching on the reason or cause of writing the article, it first made mention that the transparent and resolute character of the reform and the actual progress it had made had enabled China to greatly shorten the period of probing and labor pains which ordinarily in East European countries would cover over several decades...to be able to proceed to the foremost front of reform. Continuing, it said: "In spite of this (or perhaps because of this), China's reform entered rather early the arena of a dilemma of being unable to go either forward or backward," "the continuous increase in the pressure from inflation, the vicious increase in society's corruptive forces, the abrupt development in cases of unjust income and unjust opportunities and the peasants en masse entry into cities and towns all converged to become various kinds of social discontent which could or could not be explained," and "even the backbone regiments of the reform have begun to have the feeling of the appearance of danger." Precisely for the purposes of answering the above-mentioned "various questions on the dilemma of China's reform" and to prove that the past reform strategy had not made any "basic mistake," the authors wrote this long article. JINGJI YANJIU No 9, 1988, p 13.

18. They said: In advocating stepping up the price reform when "some people" propagated that "short pain would be better than long pain" and described price reform as a major medical operation or a "large action," perhaps they did not imagine that by so doing the result would be worsening of the reform environment." (Ibid., p 17.) They further said: "On the problem of price reform, during a certain period this year, despite the fact that the idea of 'achieving success at one stroke' had for a time dominated the scene, the 'structure group' represented by Hua Sheng and other comrades 'still loudly protested' that 'crashing the gate blindly would be committing a historical error.'" (Ibid., pp 21-22) Subsequently, the author, when introducing the article "10 Years' Review" to the discussion meeting on "Chinese Government's Acts in China's Economy," spoke even more frankly: "Particularly on the problem of price reform, inappropriate steps were taken, causing consternation in people's mind and seriously worsening the reform environment." (SHIJIE JINGJI DAobao Nov 21, 1988)

19. Even Hua Sheng and the other comrades also concurred that "price reform was facing the dual tasks of readjusting the system and converting the mechanism." See article "On the Price Reform Road with Chinese Characteristics," JINGJI YANJIU No 2, 1985, p 28.

20. "In essence, in a reform oriented toward the market, the state transfers and delegates its power and responsibilities simultaneously from all these areas and lets the market participants who have the full power of disposal of their properties to negotiate among themselves the prices (including wages and interest)," (Ibid., p 22.) This is the most extreme advocacy on marketization.

21. Ibid., p 15 and footnote 18.

22. Ibid., p 15.

23. Lou Jiwei and Zhou Xiaochuan: "On the Direction of the Reform of our Country's Price System and the Relevant Pattern and Methods," JINGJI YANJIU No 10, 1984.

24. For example: Hua Sheng and his associates introduced the concept of the so-called "system theory"; "proponents of the system theory believe that 'by means of earnestly estimating the theoretical price...the state has the full capacity, by means of making a planned readjustment, to solve the problem in our country's price system of the serious irrationalities in industrial products of the initial grade and consumer goods.'" (JINGJI YANJIU No 9, 1988, p 15.) What astonishes people is that the name of the author of this passage cited was kept secret and not revealed. Actually, the passage cited was not from any article by Comrades Lou Jiwei and Zhou Xuaichuan, whom Hua Sheng and his associates labelled as proponents of the "system theory," but was from the pen of their opponents in the dispute at that time, namely Comrades Tian Yuan and Chen Dejun, who had written an article, "Thoughts on the Ideological Line of Price Reform," which criticized the concept of balanced price. This method of merging together two opposing viewpoints and forming the so-called "system theory" and then proceeding freely with making the criticism is indeed a questionable practice in the academic world.

25. See Comrade Guo Shuqing's dissertation "From a Comparative Study of the Price Structures in the Soviet Union and West European countries To Look at China's Reform of the Price Structure," excerpts appearing in No 3, 1985 of the "Youths' Forum;" thesis for master's degree: "Comparative Price Structures," published by the Zhejiang Renmin Publishing House, 1987 edition.

26. See "On Road to Price Reform with Chinese Characteristics," JINGJI YANJIU, No 2, 1985.

27. Academic Journal of Research Fellows Institute of the China Academy of Social Sciences, No 3, 1985.

28. Hua Sheng offered a computation formula.

$$P = K + \left[C \cdot a + V \cdot \frac{\sum (m - c \cdot a)}{\sum v} \right]$$

29. Comrade Guo Shuqing and others pointed out the eight defects of the double-track system in their 1985 report and advocated the abolition of the strategy of the double-track system and coordinated reform; see "A Study of the General Framework of the Structural Reform," 1985.

30. The article read: "Regarding the surplus portion of production available for self-marketing by the enterprises and production of local enterprises not comprehended in the resources subject to unified distribution, they should be, according to the respective conditions, exempted either in one lot or in separate lots from the existing price control and until the various categories of scarce and short material resources have in respect of the market price level accomplished a market of balanced supply and demand, formulation of a rational and flexible price floating extent should then proceed." (JINGJI YANJIU No 2, 1985, p 31)

31. Hua Sheng and others: "Transformation in Economic Operation Pattern," JINGJI YANJIU No 2, 1986.

32. Hua Sheng: "A Talk on Reform Upon Return from West Europe," SHUIE JINGJI DAOBAO, Jul 14, 1988.

33. In a talk with a reporter of LIAOWANG on the "pros and cons of the double-track system," one part was captioned "we must make a fair appraisal of the double-track system"; see LIAOWANG, No 29, 1988.

34. When touching on whether or not corrupt acts such as speculation, reselling for profit, bribing and accepting bribery originated from the double-track system, Hua Sheng pointed out: "...In essence, this problem does not originate from corruption or from the double-track system itself, because for a long time the supply of grain, edible oils, and other main subsidiary food products has followed the double-track system and speculation and reselling for profit have not occurred; this time the problem of the double-track system of the means of production arises because of not truly undertaking the double-track system but a 'mixed' double-track system and there has never been a clear demarcation of the double-track market," Hua Sheng, "A Talk on Reform After Return from West Europe," SHUIE JINGJI DAOBAO, Jul 14, 1988.

35. In footnote 3, p 21 of JINGJI YANJIU, No 9, 1988, Hua Sheng and his associates pointed out: "The main cause for the failure here of the double-track system was that it had met with a staunch opponent, namely, official power."

36. JINGJI YANJIU, No 9, 1988, p 21.

37. Hua Sheng and the other comrades, "Transformation in Economic Operation Pattern," JINGJI YANJIU, No 2, 1986.

38. Hua Sheng and the other comrades said: "The cause of the failure of the double-track system did not lie in itself; rather there were certain outside causes and first of all the cause was the 'infiltration of official power and administrative power.'" Taking thus "official power" and "administrative power" as the "infiltration" from the outside and not as the factors inside the double-track system itself is obviously unreasonable. People cannot help asking: After all is it that "official power" "infiltrates" into the double-track system, or is it that the double-track system widely opens the door for "official power" to come out in the open, become legitimate, become greedy, and generally run amok in disrupting economic life?

39. JINGJI YANJIU No 9, 1988, pp 22-23.

40. Strangely enough the authors of the "10 Years' Review" were never able to cite any discourse by Wu Jinglian advocating "adjustment only but no de-control." This is because that the facts were just the opposite. In his lectures in Shanghai in September 1984 Wu Jinglian clearly pointed out that "in order to make the market mechanism display its functions the basic way out is to carry out the all-round readjustment of the price structure and thoroughly reform the system of fixed prices, 'the crux of urban reform is enlivening the enterprises' supply, production and marketing,'" SHUIE JINGJI DAOBAO, Sep 24, 1984. Later on in February 1985, in the article "Development Guideline in the Initial Stage of Economic Reform and the Problem of Macroeconomic Control," he elucidated: Price reform "consists of two basic contents: one is 'de-control,' that is, changing price-fixing by the state in the price control structure; and the other is 'adjustment,' that is, readjusting the price level and smoothing out the proportionate relations, RENMIN RIBAO, February 11, 1985.

41. Comrades who in the past did not understand but wish now to understand the detailed conditions may refer to the publication by Wu Jinglian and Zhou Xiaochuan on "Entire Planning on China's Economic Reform," printed by the Zhongguo Jianwang Publishing House, 1988 edition, and their other relevant essays and writings.

42. See Guo Shuqing: "On the Target Pattern of Reform of the Price Structure," ZHONGGUO SHEHUI KEXUEYUAN YANJIU SHENGYUAN XUEBAO [GAZETTE OF THE INSTITUTE OF RESEARCH FELLOWS OF THE CHINA ACADEMY OF SOCIAL SCIENCES], No 3, 1985.

43. Carried in SHUIE JINGJI DAOBAO, May 30, 1988.

44. See Wu Jinglian and Zhou Xiaochuan "Complete Plan for China's Economic Reform"—portion relating to research on 1986 coordinated reform. Even earlier there were other reference materials such as Luo Xuan: "Probing into China's Economic Reform"; Guo Shuqing, 1985 report "Planning for Structural Reform"; and Zhou Xiaochuan and others: "Organize Large Corporations Handling Means of Production and Speed Up Formation of a Unified Market for Means of Production," JINGJI SHEHUI TANJIJI BI JIAO, No 3, 1986.

45. See Guo Shuqing and others: "Research on the General Planning for Structural Reform," 1985, carried in "Whole Planning on China's Economic Reform."

46. Here we need to point out once again: comrades advocating price, taxation, and finance reforms have never generally mentioned that price reform should precede reform of the ownership system, because in their opinion in the economic sense reform of the system of ownership is all-round reform (including price reform), in the legal sense the clarity of relations of property ownership right possesses a relatively independent character, but if there is no reform of the ownership system in the economic sense, reform of the ownership system in the legal sense is only a play in names.

47. JINGJI YANJIU, No 9, 1988, p 28.

48. Loc. cit.

49. Ibid., p 25.

50. Readers should be warned to take note of the difference between "state ownership system" and "public ownership system." The former is only one form of the public ownership system and moreover today many comrades consider it as a generally suitable and ideal form of the "public ownership system."

51. Hua Sheng and other comrades: "Renewed Structuring of the Microeconomic Basis," JINGJI YANJIU, No 6, 1986.

52. JINGJI YANJIU, No 9, 1988, p 30, text proper and footnote 1.

53. Loc. cit.

54. "Collection of Plans for Reform of China's Economic Structure," Central Party School Publishing House, 1988 edition, p 127.

55. See article by Wu Jiaxiang and Jin Lizuo and relevant article by Ding Lingling.

56. Hua Sheng: "Talk on Reform after Return from West Europe," SHIJIE JINGJI DAobao, Jul 4, 1988.

57. Loc. cit.

58. JINGJI YANJIU, No 9, 1988, p 30.

59. Ibid., p 36; the reader may notice that in the original text the phrase "sustained inflation in gross demand" was in quotation marks; this probably was not far off from advocating inflation policy.

60. Ibid., p 33.

61. Please refer to Zhang Xuejun: "Shift in the Pivotal Point of Inflation in Gross Demand and Macroeconomic Control," JINGJI XUE ZHOU BAO, May 19, 1985; and article by He Jiacheng and others: "Shift in the Nucleus of Inflation in Gross Demand, Probing into the Era of Reform," Tianjin People's Publishing House, 1985 Edition.

62. See article by Hua Sheng and others: "Strengthening Macroeconomic Control Is Not Equivalent to All-Round Tightening," SHIJIE JINGJI DAobao, Apr 8, 1985.

63. Hua Sheng and others: "Caution Against Too Fast a Decline in the Course of Tightening," SHIJIE JINGJI DAobao, Jan 6, 1986.

64. Article by Zhang Xuejun and others: "The Main Stream of Our Country's Economic Situation Is a Good One," SHIJIE JINGJI DAobao, Apr 13, 1987.

65. Loc. cit.

66. He Jiacheng, Zhang Xuejun: "What was our Country's Actual Economic Condition in 1987?" SHIJIE JINGJI DAobao, Feb 8, 1988.

67. Comrade Cui Quanhong, a supporter of the authors of the "10 Years' Review," was much more frank. He clearly pointed out in his article "Replying to Wu Jinglian's Academic School—a Brief Talk on the Divergencies on the Macroeconomic Problem": Shaanxi "Comments and Discussions on Social Sciences" No 6, 1988. "The dispute between Wu Jinglian and Zhang Xuejun in reality represented a dispute between the two large schools of economic theory in our country." "The crucial point of the dispute between the two schools was: Regarding the economic situation in recent years, did it indicate an inflation in demand or a production surplus, was it calling for further tightening or expanding, and was a high growth speed or a low growth speed needed?" Cai pointed out: In China "over recent years all along there existed the problem of insufficiency in gross demand; against this, the retrenchment or tightening theory of Wu Jinglian's school could not evade the responsibility." "Actual practices in 1984 and 1985 of the super high-speed growth greatly broke the framework of the theory of Wu Jinglian's school. Because the effects on all sides were rather good, they were unable to make a direct opposition and hence concocted frightening words to scare people, saying that 'we were facing inflation' and that 'it could cause great undulations.'"

"Fortunately under the influences of the theory advocated by Zhang Xuejun and a number of young- and middle-aged economists calling for halting the 'shrinking gross volume of material goods' and 'rapidly readjusting the macroeconomic strategy,' in 1987 the depression and decline were somewhat eased compared with 1986."

"Actual practices have shown that the theory of Keynes on stimulating effective demand really greatly lightened the economic crisis of over-production under capitalism," "the actual practices in many countries have attested that Keynesianism could promote the growth of the productive forces, and up to now no country, or province, or city, or county has had the experiences attesting that Wu Jinglian's theory could promote the development of the productive forces." "The Wu Jinglian school all along has adopted an attitude refuting Keynesianism, and 'his is an error in history. We should put aside all prejudices' and boldly introduce Keynesianism to solve the problem of China's economic development."

68. JINGJI YANJIU No 9, 1988, pp 31-32.

69. Loc. cit.

70. See articles by Wu Jinglian and others: "Development Guideline in the Initial Stage of the Economic Reform," RENMIN RIBAO, Feb 11, 1985; "Correctly Handling the Relations Between Economic Construction, Reform of the Structure, and Improving the People's Standard of Living," "Probing into Problems of Economic Reform," China Zhanwang Publishing House, 1987 edition, pp 395-433; "Studies on Construction and Reform Experiences Since the 3d Plenary Session of the 11th CPC Central Committee," "Complete Planning on China's Economic Reform," China Zhanwang Publishing House, 1988 edition, pp 415-437; and so forth.

71. "One of the basic lessons of the price reform in certain West European countries was the failure to solve, during the golden period for price reform, the problem of the prices paid by the consumers thus causing an increasing burden on finance," in article by Hua Sheng and others "On the Road to Price Reform with Chinese Characteristics," JINGJI YANJIU, No 2, 1985.

72. Hua Sheng and the other comrades were adamant that wordings and phrases such as "lax environment" were not economic parlance, but were slogans of a propagating nature and that to have them inserted in economic researches would not be solemn enough JINGJI YANJIU, No 9, 1988, p 36. As a matter of fact, it is rather common in economics to employ the wordings of other studies and of daily life, and the problem is only whether or not the economist has clearly defined the terms. According to the principle of "solemnity" advocated by Hua Sheng and the other comrades, should not Keynes have used the term "floating pits," and the British contemporary currency experts the term "tight clothing"? Comrade Liu Guoguang was the first to

advocate that reform needed a "lax environment", he wrote three essays in succession to explain this "lax environment." (*Collection of Essays by Liu Guoguang*, 1980 article "On Several Problems Relating to Planned Regulation and Market Regulation", "More on Buyers' Market," 1983; and "Several Problems Relating to Development of Socialist Commodity Economy," ZHONGGUO SHEHUI KEXUE No 6, 1986.) Subsequently, when Comrade Wu Jinglian further discussed the benign environment needed in reform, he made a clear definition of "lax environment," that is, "to enable the stable progress of the reform, a relatively lax and benign economic environment is needed, in which the macroeconomic relations are relatively coordinated, the markets are not in a too-stringent state, and the state's finance and reserves of material resources are comparatively plentiful." (For "More on Maintaining a Benign Economic Environment for Economic Reform," JINGJI YANJIU, No 5, 1985.) On the other hand, Hua Sheng and the other comrades, in the article "10 Years' Review," pointed out in a summary that "mishandling in the problem of price reform caused people to be violently shaken, and seriously deteriorated the environment for reform." Here, the wording was of a somewhat "propagating nature" and appeared to be like a "talk on policy."

73. See article by Hua Sheng and others "Rectifying Market Order in an All-Round Manner," JINGJI RIBAO, Sep 30, 1988.

74. See JINGJI YANJIU, No 9, 1988, p 25, footnote 5.

75. Ibid., p 35.

76. On this problem Keynes himself had a clear understanding; the subsequent criticism he received was a great injustice to him.

77. The article "10 Years' Review" by Hua Sheng and the other comrades demonstrated a high level of ability in revising facts and publicly known historical conclusions for self use. For the sake of criticizing the advocacy of "keeping currency under control but decontrolling prices," they actually declared that West Germany's experiences in the transition from an economy under unified control to a market economy was a fable told by only one source when the monetary doctrine was on the rise." (JINGJI YANJIU, No 9, 1988 p 22, footnote 1.) As far as making clear whether "keeping currency under control but decontrolling prices" is after all a historical fact or "taking delight in talking about economic fables," it does not matter how the authors planned to discuss this topic, since publications on this historical event were numerous (including Eihart's *Prosperity From Competition*, Commercial press 1933 edition; article by F.H. (7Kelupusiduoke [0344 7627 2528 2448 1122 0344]): "Currency Reform in West Germany," carried in the American magazine "JOURNAL OF POLITICAL ECONOMY," August 1949; U.S.A.'s Edwin Hadrich: *Rise of the 4th Empire*, Xinhua Publishing House, 1982

Edition: Za Xianglong, "1948 Currency Reform in Federal Republic of Germany," SHUIE JINGJI DAobao, December 8, 1986; Jian Shu, "Before and After FRG's Rise in Economy," JINGJI RIBAO, June 27-30, 1988.) Authors of the article should take a look at these references. As for West Germany's aforementioned transition, the banknotes going into effect on June 20, 1948 (Thursday) were taken up first. The exchange rate between old Imperial marks and the new marks was 1:1 for cash and deposits within a prescribed amount but was 10:1 for cash and deposits above the prescribed limit. As a result, by the end of the year, the amount of cash in circulation dropped from over 70 billion old Imperial marks to 6 billion new Deutsche marks. On July 7, the economic commission of the areas jointly occupied by the American and British forces announced "throwing into the wastepaper basket" the more than one hundred various kinds of statutes related to economic control and restriction of commodity prices. The role that can be played by the withdrawal and shrinkage of currency in circulation in decontrolling commodity prices and abolishing control is thus exceedingly clear.

78. Hua Sheng and others, "Framework of the New Structure Built in the Reform," JINGJI RIBAO, Oct 7, 1988; "Reform Facing an Important Turn in Strategy," SHUIE JINGJI DAobao, Oct 10, 1988.

PROVINCIAL

Retrenchment Reported Hurting Guangdong's Economy

40060510 Shanghai SHUIE JINGJI DAobao
in Chinese 17 Apr 89 p 6

[Article: "For the First Few Months of This Year the Economic Situation Has Not Been Easy To Observe—Retrenchment Is Causing Guangdong's Economy Difficulties"]

[Text] Ever since the end of last year when the central government adopted tightening measures, Guangdong's economy has gone into a state of decline. Statistics for the first few months of this year show a rather serious situation: a drop in productivity, unsatisfactory control of rising inflation, a 40-percent reduction of exports, and frequent emergencies facing foreign-invested enterprises.

Some news also tell of a slippery slide in productivity, as well as stagflation and a rise in price indicators, which are already realities in Guangdong Province.

Analysis of data shows the spread in the drop of productivity to be quite large, accompanied by a corresponding reduction in profits and drop in income, which were most obvious in January. The circulation of enterprise capital was so inadequate that some enterprises were unable to maintain their regenerative capacity. Like other localities throughout China, Guangdong Province

experienced development stagnation in areas of agriculture, raw materials, energy, transportation, etc. However, this abrupt "one-stroke" tightening did not bring about any faster development in these areas, only long and short lines all cut at the same time, with good and bad benefits both chopped off at the same time. This affected adjustments in Guangdong's economic structure and its smooth development in the future, without attaining its originally predicted goal of an adjusted economic structure.

From the perspective of prices, after the central government's retrenchment policy was effected, it was impossible to realize the hope of controlling Guangdong's prices within a 15-percent limit. According to the most conservative estimates, prices in Guangdong were expected to rise more than 20 percent, due primarily to shortages of goods and materials. At present, Guangdong is experiencing shortages in energy, raw materials, transportation and food staples, and their prices are on the rise. Because banks have tightened credit, enterprises have turned to taking out high-interest loans from local sources, which in turn, has sent interest rates up at the local level. Because fixed-asset capital investment in Guangdong's plan is only 10 percent, most of the investment comes from outside sources, which makes control on a basic scale very difficult.

Exports from Guangdong during January to February this year showed a reduction of 40 percent from a corresponding period a year ago. It should be noted that export enterprises had signed some contracts with foreign businesses that might be impossible to fulfill. The chief reasons are:

- Inability of export production enterprises to buy enough of needed raw materials during the fourth quarter, because of tight credit and shortage in money supply.
- Tightening of circulating capital for export production enterprises as a result of tightening of the money supply, which greatly affected the purchase of commodity raw materials during the thriving fourth quarter last year.
- Rapidly rising costs for foreign capital exchange, because of rising inflation.
- Increase in the number of foreign exchange controls, particularly for those products exported in greater proportion to other products, a restriction which greatly affects foreign trade.
- Policies that are unrealistic and subject to change, which injure active operation of export enterprises, making them very pessimistic.

Prices on the world market this year have been fairly stable, and the United States has canceled its favored treatment of the "four small dragons" of Asia. Rises in the value of the Japanese yen and the Taiwan dollar, and

changes in the foreign exchange rate have been beneficial to China's exports, but many enterprises still lack confidence keeping their original customers and maintaining market stability.

During retrenchment, some new problems have appeared for Guangdong Province in foreign economic cooperation. After last year, when Guangdong Province worked hard to actually utilize foreign capital and the new contract agreement using foreign capital to create historically optimum conditions, but a reverse situation rapidly set in during the last few months. After some policies that would affect the foreign economy and trade had appeared in some agencies, production operations in foreign investment enterprises experienced difficulties, and shook the confidence of many foreign businessmen who questioned China's open policy. Since September of last year, contracts for processing foreign materials in Baon and Dongguan under the agreement showed a marked drop. For some items already in the production stage, foreign businessmen have indicated moving their investment to Southeast Asia after their orders have been filled. Problems that invoke such strong reaction from foreign businessmen include:

- Collection of a customs oversight fee based on 1 percent or 3 percent of the value of the raw materials, equipment, parts, etc., brought in to process foreign materials, which many enterprises considered too high, and adding to the original capital outlay.
- Imposition of a customs tax last September on exports from foreign investment supported enterprises.
- Requirement that telecommunication activities at foreign venture enterprises submit foreign exchange coupons in accordance with a recent ruling by the Ministry of Telecommunications and the Bureau of Foreign Exchange Management, which foreign businessmen regard as deviating from a series of rules established by the state regarding fees to be collected from enterprises backed by foreign investment.
- Shortages in available liquid capital and matching funds for infrastructure. As the result of such shortages faced by joint ventures and cooperative enterprises, and some foreign capital that Guangdong Province had negotiated for last year not coming through because matching funds in people's currency were lacking, some important items were difficult to implement. Because this "take in, but no credit" policy affected foreign capital invested enterprises, those that had gone into production faced a cash flow problem.
- Furthermore, the new export licensing regulation requiring exporters to "first obtain approval and then certification" is making foreign businessmen wary of excessive formal procedures and afraid that they may lose opportunities.

In summary, economists in Guangdong Province feel that a policy "centered around efficient supply supported by controlled demand" must be used to treat inflation. Correction should be an open form of correction and not a closed one, otherwise it would revert to the rigid old system. Furthermore, how to resolve the paradox between correcting inflation and "opening one aspect" to the outside also needs further study. Public figures in Guangdong feel that the basic paradox still existent in Guangdong's reform plan is "the paradox between further enterprise activation and macroeconomic control," that the paradox of "continued opening of markets versus correction" still exists. To avoid shrinkage in the economy and resurrection of the old system, we must continue to open markets during a period of correction, and to open up prices and allow market reform and enterprise reform to proceed in depth. The production materials market, the money market, the labor market, the real estate market etc., should also establish a new routine by opening and correcting at the same time.

Jilin Secretary on Labor Emulation
SK0306025989 Changchun JILIN RIBAO
in Chinese 27 Apr 89 pp 1, 2

[Article by He Zhukang, secretary of the Jilin Provincial CPC Committee: "Launch Extensive Labor Emulation Drives, and Quicken the Pace in Revitalizing Jilin"]

[Text] The provincial party committee and government recently made a decision to launch province-wide socialist emulation drives. Their purpose is to fully arouse the enthusiasm and creativity of the people throughout the province to achieve a success in the endeavor of improvement, rectification, and deepening of reform, promote the building of the socialist material and spiritual civilizations, and quicken the pace in revitalizing Jilin.

1. Launching Socialist Labor Emulation Drives Is the Demand of This Era in Accomplishing the Four Modernizations and Revitalizing China.

Socialist labor emulation drives represent a great creation of the masses in the process of socialist construction. The communist Saturday voluntary labor activities launched in the early period of the socialist construction of the Soviet Union and the Sidahannuofu [2448 667] 3352 6179 1133] movement launched later, and the production emulation activities of "competing, learning from, catching up with, helping, and in turn surpassing each other" launched in our country in the 1950's and 1960's, were all the embodiment of the masses' tremendous labor enthusiasm for, and their spirit of active devotion to, socialist construction. The labor emulation drives launched in today's new historical period during which socialist modernization is being carried out are not a mere repetition of the past emulation drives, but ones with new significance, goals, and demands. Today's labor emulation drives are geared to the needs of the

realistic ideals of accomplishing the four modernizations and revitalizing China, and are launched under the conditions of reform, opening up, and development of the commodity economy. Labor emulation drives constitute a carrier of the masses' intelligence and wisdom, and their labor enthusiasm displayed to achieve their fundamental interests and common ideals. Launching labor emulation drives will enable the people to encourage and lead one another, learn from and catch up with the most advanced, and strive for the best; will cultivate a great number of people adept at developing the socialist commodity economy, talented people good at tackling scientific and technological difficulties and making technological inventions, and pace-setters in building the spiritual civilization who are representatives of advanced productive forces, and will thus facilitate comprehensive economic and social development.

Launching labor emulation drives will facilitate the smooth progress of the endeavor of improvement and rectification. Improvement of the economic environment and rectification of the economic order constitute the focal point of the work for this year and next. Thanks to the work over the past 6 months and more, initial results have been achieved. However, the distance is still great before we reach the goals of the endeavor of improvement and rectification. In the new situation of improvement and rectification, it has a great immediate significance to launch emulation drives. A success in improvement and rectification will provide a good environment for launching labor emulation drives, which in turn will fully arouse the people's enthusiasm and ensure the fulfillment of the tasks for improvement and rectification. Some comrades worried that launching labor emulation drives under the situation of an overheated economy would drive the economy to become more and more "heated." Such a concern is unnecessary. Our labor emulation drives are launched on the premise that they are geared to the needs of economic restructuring, and are regarded as a measure to facilitate economic restructuring, increase the supply of essential products, and ease the contradiction between supply and demand. The labor emulation drives are launched not for competition in industrial output value and growth rates alone, but for competition in productivity, technological progress, and economic results. They are launched for the purpose of increasing the supply of undersupplied products, and will not lead to an increasingly "heated" economy. In the current period of economic restructuring, the tasks to adjust production setup and product mix are very heavy, and most enterprises are encountering difficulties created by shortage of funds, energy resources, and raw materials. It remains a very arduous task for us to maintain a certain growth rate on the premise that macrocontrol is strengthened, the economy is restructured, and economic results are improved. In the current situation, labor emulation drives will be a good method for us to work in unity to tide over difficulties. Through launching the labor emulation drives to encourage the advanced and spur the backward, the sense of the masters' responsibility for the masses of workers will be

enhanced, the centripetal force and unity of enterprises will be strengthened, the campaign for increasing production, practicing economy, increasing revenues, and reducing expenditures will be promoted, and technological progress will be facilitated. Through launching labor emulation drives, we should create throughout the province a vigorous atmosphere in which first-rate products and first-rate enterprises are developed, create an upsurge in learning technology; catch up and surpass the most advanced, and facilitate a stable and coordinated development in economic construction in the period for restructuring. Launching labor emulation drives will facilitate the development of the socialist commodity economy and productive forces. Developing the socialist commodity economy and productive forces with the focus on economic construction is the basic task of the whole party and all the people of the country at the present stage. All of our policies and measures, including the launching of labor emulation drives, are aimed at serving this basic task. The people are the most active and vivid factor of productive forces. By launching labor emulation drives, we precisely aim at fully arousing the enthusiasm of the vast number of cadres and masses and fully tapping the potential of the people with a view to promoting the development of the commodity economy and productive forces. Some comrades worried that under the current situation it would not do to arouse the people's enthusiasm through the old method of launching labor emulation drives. We acknowledge that such a concern is not groundless. However, it all depends on human efforts. Whether or not we can mobilize the people's enthusiasm through launching labor emulation drives depends primarily on the practical guiding ideology. In launching labor emulation drives, we are not asking the people to render gratuitous labor without remuneration, or to do unnecessary overtime work. We are just asking them to better implement the principle of distribution according to labor. All people, including workers, peasants, and intellectuals, will receive corresponding remunerations and incentives from their outstanding performance and contributions in their jobs. If we launch labor emulation drives in this way, we will be able to mobilize the initiative of the masses. The labor emulation drive at the new stage is, in the final analysis, an emulation drive to develop the commodity economy and productive forces. A number of farming experts, grain-selling models, large hog and poultry breeding households, and all kinds of skillful craftsmen emerging in rural areas are not only examples in developing the commodity economy, but also representatives of advanced productive forces and the backbone force to launch labor emulation drives in rural areas. By giving full play to the role of this backbone force, we will be able to mobilize still more peasants to embark on the road of becoming prosperous through labor and through science and technology. Jilin is a key commodity grain base of our country, and thus has a great potential in developing grain production and other agricultural and sideline production. Through conducting labor emulation drives to mobilize and exploit the initiative of the vast number of peasants and the masses, we will be able to push the

rural commodity economy to a new stage. There is also a relatively good foundation for conducting labor emulation drives among industrial enterprises. Over the past few years, thanks to the implementation of reform and the contract management system, enterprises have gained more decision-making powers and witnessed a constant increase in their vitality. However, most enterprises are still backward in management. There is great potential and possibilities to conduct labor emulation drives among such enterprises. The situation is the same on the fronts of finance and trade, science and technology, sports, public health, culture, and art. Although different trades have different characteristics in both content and form of their labor emulation drives, they all have the common goal of promoting the development of the socialist commodity economy and productive forces.

Launching labor emulation drives will promote the building of socialist spiritual civilization. To develop our socialist modernization drive, we need not only a brisk economy, but also a fine social atmosphere and the hard-working spirit of all people. Conducting the socialist labor emulation drive is the unity of ideological and political work and economic work, as well as the unity of the building of material civilization and spiritual civilization. It is not only a process of competition in labor, skills, and intelligence, but also a process of competition in ideology, spirit, and style. Therefore, it is of great significance in enhancing the people's morale and their sense of making progress, and in forming a fine social atmosphere. Some comrades worried that at present, because some persons have indulged in money worship and have even done everything for money, the "cost" of mobilizing the people's initiative will be increasingly high, and we will be unable to afford the labor emulation drive. This problem can also be solved. It should be noted that at present some units depend on issuing more bonuses to mobilize the workers' initiative, and thus their ideological and political work is weak, their labor enthusiasm not high, and their spiritual state not good. By launching labor emulation drives, we precisely aim at changing the spiritual state of the people. Through the emulation drives, we should divert the people's attention and excitability to the point of positively suggesting ways and means for reform and construction and making more contributions to building up their hometowns and revitalizing China. We should regard the launching of socialist labor emulation drives as a vivid classroom to build spiritual civilization. We should simultaneously grasp the building of the two civilizations and yield achievements in both of them. Through labor emulation, we should foster the spirit of doing pioneering work and waging arduous struggle; the spirit of loving our country, hometown, enterprises, and collectives; and the spirit of stressing ideals, competing in making contributions, and aiming high. We should also create a new prevailing custom of being proud to be model laborers, vying with one another to be model laborers, and of respecting model laborers.

2. Labor Emulation Drives During the New Period Should Have a Fresh and Rich Substantive Content.

In launching labor emulation drives during the new historical period, we should have definite goals and new emulation content. Proceeding from the practical situation of our province, labor emulation drives should be launched around the following several aspects.

We should launch the emulation of "increasing production, practicing economy, increasing revenues, and reducing expenditures." The practice of increasing production, practicing economy, increasing revenues, and reducing expenditures is a kind of emulation drive itself. At present, we should regard the "double-increase and double-reduction" as the central content of socialist labor emulation drives. Launching labor emulation drives centering on the "double-increase and double-reduction" campaign is not only an effective way to increase effective supply and improve economic efficiency, but is also very important in fostering a fine atmosphere of hardworking and thriftiness. At present, the production, construction, and circulation spheres have great potentials in increasing production, practicing economy, increasing revenues, and reducing expenditures; and there are relatively serious instances of losses and waste in their economic activities. Through launching emulation drives in "increasing production, practicing economy, increasing revenues, and reducing expenditures," these spheres should tap all their potentials, reduce or put to an end various kinds of abnormal consumption such as inanimate labor and animate labor, and strive to develop production and stabilize the economy in the course of tightening up finance. The emulation drive in the "double-increase and double-reduction" campaign should be targeted at increasing economic efficiency and effective supply; and should be focused on improving the quality of products, lowering material consumption, opposing extravagance and waste, and cutting back on expenditures. We should adopt more measures to increase production and revenues, tap the output potential of the products which are readily marketable, intensify the means of practicing economy and reducing expenditures, tap the potential in lowering consumption of energy resources and raw materials, pay attention to the work of enlivening fund circulation and savings deposits, and tap the potential of the existing funds in order to make the national economy steadily develop with a high quality. Centering on the work emphasis of this year and in line with the reality, all localities and departments in the province should formulate feasible and concrete programs for implementing the various targets for the "double-increase and double-reduction" campaign in order to yield actual results in the labor emulation drive of the "double-increase and double-reduction" campaign. We should launch emulation in technological progress. Science and technology are the primary production forces, as well as the coordinates of social development and progress. Launching emulation drives in the field of technological progress is the special feature entrusted on the current labor emulation drives by social development. Under the current situation in which the role of technological progress

becomes increasingly conspicuous, launching labor emulation drives does not mean competition in physical strength, equipment, and overtime work, but does mean listing the factor of technological progress as an important content of emulation drives by regarding the factor as an important target so as to truly integrate labor emulation drives with new technologies and push labor emulation drives to a new level. This is the major difference between the labor emulation drives under the condition of the commodity economy and the labor emulation drives under the condition of product economy. In launching labor emulation drives, we should pay special attention to drawing the achievements in technological progress, and should vigorously encourage enterprises, rural areas, and other economic organizations to apply the scientific and technological emulation drives. In assessing the results of labor emulation drives, we should not only see the amount of production and growth rate, but also see the situation of technological progress. We should pay attention to organizing and launching socialist labor emulation drives on the scientific and technological fronts. Efforts should be made to arrange the scientific and technological difficulties, which have cropped up in the economic construction, in the order of importance and urgency; to define urgent projects; and to enforce public bidding and have personnel submit their bids openly so as to lead the broad masses of scientific and technological workers to the "main battlefield" of economic construction and to promote the combination between the economy and science and technology. We should encourage the scientific and technological personnel to overcome more scientific and technological difficulties and to score marked achievements in work and carry out or enliven in an overall way the activities of scientific research, the tackling of scientific and technological difficulties, technical coordination, technical renovations, and technical renewal. Efforts should be made to improve technologies and to upgrade their standards so as to enable more scientific research results to turn into productive forces and to greatly upgrade the quality of the national economy.

We should carry out the emulation drive of paying attention to education and upgrading laborers' quality. Such a labor emulation is not only to conduct physical labor emulation but also to conduct mental work emulation, as well as to increasingly lay particular stress on mental work emulation. Fundamentally speaking, the emulation of human quality means emulating the development of educational undertakings and training of talented personnel. Education occupies a strategic position in social development. The upgrading of laborers' quality and the training of specialized talents represent the most basic condition for fulfilling the target of socialist modernization and should be realized through education conducted among all nationalities. Over the past few years, though our province's educational undertakings have achieved faster development, judging from the general situation, these undertakings still cannot meet the needs of building the socialist modernization.

By conducting emulation drives, we should bring into play the enthusiasm of the broad masses of teachers, staff members, and workers in educating the people through teachings and in training successors, and continuously upgrade educational quality. Education departments should closely integrate the work of making education popular with the task of developing vocational and technical education so as to enable education to better serve the programs of upgrading laborers' quality and building the socialist modernization. In rural areas, we should carry out labor emulation in implementing the "prairie fire plan" so as to promote the development of comprehensive reforms in rural education and to arouse the personnel who have settled down in the countryside and remote border and mountainous areas to score marked achievements in developing educational undertakings in rural and mountainous areas, popularizing the 9-year compulsory education, and making a success in eliminating illiteracy. In urban areas, we should carry out the emulation drive in developing vocational, technical, and adult education by conducting combination between enterprises and schools and enhance the training work for staff members, workers, and the students of senior vocational middle schools. Efforts should be made to vigorously carry out the emulation drive with the major target of upgrading the teachers' quality in ideology, morality, culture, and profession; to conduct thorough basic training so as to enable teachers to have high morals and to set examples for students; to bring into full play the enthusiasm and creative spirit of the broad masses of teachers; and to vigorously foster a teachers' contingent with fine quality.

We should carry out the emulation drive in fostering a fine mental outlook. In carrying out socialist labor emulation, we should conduct emulation not only of physical labor and intellectual capability but also in fostering a mental outlook and style. Building the socialist spiritual civilization constitutes an inevitable condition for realizing the four modernizations and is where the strong point of our socialism lies. A nationality with poor mental quality cannot realize high material civilization. Therefore, we should resolutely implement the central authorities' principle of grasping the development of the socialist commodity economy on the one hand and grasping the ideological and political work on the other. Efforts should be made to foster or carry forward a fine mental outlook through conducting socialist labor emulation and to foster fine morale in the province, city, plants, and schools. We should learn from the advanced and model party members, including Huang Yongzhou, for their lofty moral sentiment and improve the province's program of building the socialist spiritual civilization to a new level. We should also carry out the emulation drive in fostering public morality; stress the spirit of making contributions to the motherland and society; and foster social morale in which the people mutually show concern and civility, take up the cudgels for a just cause, respect the old and cherish the young, and respect teachers and pay attention to education. Efforts should be made to carry out the emulation drive

in fostering professional ethics. Personnel engaging in the service trades should continuously carry out the activities of rendering polite services. The administrative personnel of the party and government organs should enhance self-improvement along with their work, perform their official duties honestly, enforce the law impartially, and resolutely and effectively launch a struggle against violations. Ideological and political workers should launch an emulation drive in the spheres of education on the current situation, in enhancing the self-confidence of the nation, and in cultivating a new generation for socialism. The vast number of theoretical workers should launch, in line with the reality of reforms, opening to the outside world, and modernizations, an emulation drive with the focus on deepening the study of theories on building socialism with Chinese characteristics; and apply new theories to answer the problems cropping up in practical life. Cultural, public health, press, publication, radio, film, and television fronts should launch rich and colorful socialist labor emulation drives in line with their own special characteristics.

3. We Should Make Careful Organization and Ensure Real Benefits From Labor Emulation Drives

To achieve socialist labor emulation, we must make efforts to carefully conduct ideological and organizational work. Party committees and governments at various levels should consciously strengthen the leadership over the emulation work, make careful organization, and pay attention to real benefits. We should regard this work as an important means for promoting economic work and an important measure in conducting ideological and political work in order to ensure that the labor emulation drives are carried out on a grand and spectacular scale and in a down-to-earth manner. It is necessary to handle the relationship as follows in the course of specifically organizing labor emulation drives:

It is necessary to organically link the commendation of the advanced with the setup of an encouragement mechanism. The key to attaining the predetermined targets for labor emulation hinges on whether or not an effective encouragement mechanism is set up. Science of behavior tells us that behavior with purposes is one with high efficiency. Mechanism of encouragement with targets is the most effective encouragement mechanism. The prerequisite for launching labor emulation drives is to define the targets to be pursued. When targets are defined, laborers are able to control by themselves the progress in attaining targets and to make positive efforts to attain the targets. Whoever attains the target ahead of others is one who is advanced and should be commended. Commending the advanced is not a purpose. The purpose of commending the advanced is to inspire and spur on the backward and to guide the vast number of masses to make advance. If we unswervingly persist in this, an encouragement mechanism with defined targets that can enhance the morale of the masses and inspire vitality will take shape, and the purpose for arousing the

people's enthusiasm will be attained. To this end, we should strengthen the propaganda on labor emulation, whip up public opinions, upgrade the understanding on labor emulation of workers, cadres, and staff, and enhance the influential and attractive power of labor emulation. It is necessary to set up feasible programs for labor emulation and regulations on selecting and appraising model workers, to regularize and institutionalize the labor emulation work, to select advanced figures with outstanding contributions and achievements in the course of conducting labor emulation drives, and to make them become an example for the people. Model workers should be given not only material awards but also spiritual encouragement. It is necessary to further upgrade the social status of model workers. We should strive to have flexible and varied forms of emulation on the basis of each form having its special characteristics. The emulation drives should cater to the grassroots, set a sight on the first production lines, and be permeated with characters of mass and extensive participation. There must be a unified "plan," a fair "judge," scientific appraisals, and strict supervision in conducting the emulation drive. In appraising and selecting model workers, we should persist in high standards, strictly grasp conditions, fully carry forward democracy, extensively hear the masses' opinions, and enable the people from higher levels downward to make appraisal so that the selected model workers can really inspire and spur on the backward and arouse the enthusiasm of all people in society.

It is necessary to link labor emulation with the deepening of reforms. Under the current circumstances in which we lack an effective mechanism to regulate interests, we should link labor emulation with the deepening of reforms in order to arouse the people's enthusiasm through launching the emulation drives. It is necessary to further improve the contracted management responsibility system. We should provide a good environment for launching emulation drives within enterprises through such measures as adjusting the base contracted quotas in a scientific and reasonable manner, adopting the mechanism of competition, inviting tenders publicly from society, selecting the best contractors and contract programs, instituting the system of all-partner mortgage contracts for risks, experimenting with the "two-stage" contract system, reforming the labor systems of enterprises, and optimizing labor organization. Through reform, we should change the system of distribution, and further improve the current method of linking the total wages of enterprises to their economic performance. Enterprises with favorable conditions should actively carry out the system whereby their total wages are linked to their amount of materials. We should strengthen the means of tax collection to adjust the great disparity in personal income and facilitate the work to make distribution fairer and more reasonable. We should further rectify the order of circulation, and strictly control price increases to enable the masses to carry out emulation wholeheartedly in a stable economic environment.

We should combine emulation with competition. For some time, people have laid more stress on competition

to the neglect of emulation drives. They feel that competition is the same as emulation, and tend to replace emulation drives with competition. As a matter of fact, these two are different. Competition is a contention with our counterparts for our own interests, and an effort to strive for survival and development, through which only the best survive. Emulation is different. It does not mean to replace, or to strive for survival. It means to lead and encourage each other, and to achieve simultaneous progress and improvement through emulating, learning from, catching up with, helping, and in turn surpassing each other. In developing the socialist commodity economy, we should simultaneously develop and accommodate competition and emulation instead of stressing competition only to the neglect of emulation. Through large-scale socialist labor emulation drives, we should create a vivid situation in which everyone is striving to catch up with others, and achieve simultaneous progress so as to continuously promote reform and construction.

We should combine emulation between individuals with that between collectives. The socialist labor emulation itself represents a large-scale mass movement. Not only should we develop the initiative, enthusiasm, and creativity of every individual, but also we should develop the function of groups, and the role of collectives. We should be good at combining the initiative of individuals with the creativity of collectives. In launching emulation drives, we should proceed from reality and pay attention to actual results by allowing collectives to carry out those suitable for being developed by collectives, and allowing individuals to carry out those suitable for being developed by individuals. We should not only appraise and select model workers but also pay attention to fostering advanced labor collectives. We should organize and mobilize thousands upon thousands of people from all quarters and levels to plunge into labor emulation drives.

We should combine the emulation between different departments with that between different regions. At present, all departments and all areas are organizing labor emulation drives. How to combine the role of departments with that of regions is an important link to ensure that labor emulation drives yield actual results. Trade unions, communist youth leagues, women's federations, and other mass organizations possess the tradition and experience in mobilizing and organizing the masses to launch emulation activities. Party committees and governments at various levels should attach importance to their role, and allow them to carry out the labor emulation drives compatible with the characteristics of mass organizations. All mass organizations and all departments should unfold various emulation activities under the unified leadership and plans of local party committees and governments, and take the initiative in serving as good advisers and assistants to the labor emulation activities of party committees and governments.

This year marks the 100th anniversary of the International Labor Day, the 70th anniversary of the "May 4" Movement, the 50th anniversary of China's Youth Day,

and the 40th anniversary of the founding of the country. To mark these brilliant festivals, the State Council decided to hold a national rally to commend model workers and advanced workers in Beijing on 28 September. In response to the call of the party Central Committee and the State Council, people throughout the province should work diligently, make new contributions to the endeavor of improvement, rectification, and deepening of reform, and greet the convocation of the commendatory rally with the outstanding achievements in labor emulation drives.

Shanghai Economic Plan for 1989
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["Excerpts" of the Report on the Draft 1989 Plan for Shanghai Municipality's Economic and Social Development delivered by Shanghai Vice Mayor Huang Ju at the 2d Session of Shanghai Municipality's 9th People's Congress on 17 April 1989]

[Text] I. Implementation of the 1988 Plan

In 1988, under the leadership of the party Central Committee and the State Council, assisted and supported by the various central departments and other fraternal provinces and cities, and with the common efforts of all the people in the municipality, Shanghai's gross product rose to 61.2 billion yuan, an increase of 10 percent if calculated in terms of comparable prices. Its major economic and social development targets set in the plan were fulfilled, and new progress was made in various undertakings.

1. Industrial and Agricultural Production Grew Steadily; Transport, Posts and Telecommunications Continued To Develop

In 1988 the municipality's total industrial output value amounted to 108.27 billion yuan, surpassing the 100 billion mark for the first time, an increase of 10.5 percent (8 percent if excluding industrial enterprises at and below the village level) over 1987. Heavy and light industries developed in a coordinated manner. Fairly notable progress was made in manufacturing major products domestically. The product mix was readjusted. There was a considerable increase in the output of readily marketable major products, except for some textile and chemical products which registered a negative growth.

In agriculture, a bumper harvest was reaped. Total agricultural output value for 1988 amounted to 2.641 billion yuan, an increase of 6.3 percent over the previous year. Total grain output reached 2.3754 million metric tons, up 2.1 percent over the previous year. Rapeseed reached 189,600 metric tons, up 17 percent over the previous year. A number of nonstaple food bases were built in order to increase market supplies. A total of 1.383 million metric tons of vegetables were sold, and

the market supply was fairly balanced. Some 64.67 million chickens, ducks, and other types of poultry were sold domestically, an increase of 48.3 percent over the previous year. A total of 118,500 metric tons of eggs were sold, up 31.2 percent. The output of milk was 190,300 metric tons, an increase of 12.4 percent. The output of freshwater fish was 99,500 metric tons, an increase of 13.6 percent. Last year, the production of cotton and live pigs failed to reach the planned figure. In the suburban counties, industry and tertiary industry grew fairly rapidly. The total output value of village and township enterprises reached 19.5 billion yuan, up 43.3 percent over the previous year.

In 1988 the transport departments did much work to develop Shanghai's industrial and agricultural production and to transport the means of production, consumer goods, and Chinese and foreign tourists. Cargo handled by Shanghai's ports came to 133 million metric tons, up 3.8 percent over the previous year. The business transactions of posts and telecommunications departments in 1988 totalled 257 million yuan, up 25.8 percent over the previous year.

With the development of the economy, local budgetary revenues, despite the increase in subsidies and other expenditures, still amounted to 15.337 billion yuan, overfulfilling the plan set in the budget at the beginning of the year.

2. Exports Set an All-Time High; New Progress Made in Using Foreign Funds

In 1988 Shanghai's total exports amounted to \$4.605 billion, an increase of 10.7 percent over the previous year, setting an all-time high. A total of 10.773 billion yuan worth of export products were purchased by relevant municipal departments, an increase of 5.8 percent over the previous year. The three quotas concerning earning foreign exchange through exports, delivering foreign exchange to the central authorities, and export profits or losses, under contracts signed with the state, were fulfilled. The export products mix was further improved, and industrial products accounted for 83.7 percent of the total volume of exports.

In 1988 Shanghai made new progress in utilizing foreign capital. Last year the Shanghai Foreign Investment Work Commission was established after the power was further delegated to examine and approve projects invested in by foreign businessmen. This improved the formulation of laws, rules, and regulations governing foreign investment, thus further improving the investment environment in Shanghai. In 1988 a total of 219 projects directly invested in by foreign businessmen were approved, up 1.9 times over the previous year. A total of \$330 million of foreign capital was utilized, up 35.2 percent over the previous year. Among the foreign-invested projects that were approved, industrial projects rose sharply, accounting for 90 percent of the total figure, thus further rationalizing foreign investment. As

Shanghai is opening up wider to the outside world, a total of 916,000 tourists visited the municipality last year, up 19.4 percent over the previous year. Income earned through tourism reached 1.56 billion yuan, an increase of 18.7 percent over the previous year.

3. The Investment Pattern Was Further Improved; The Construction of Key Projects Was Strengthened; Nine Projects Were Completed

In 1988 the municipality's fixed assets investment amounted to 19.965 billion yuan, an increase of 38.2 percent. Of the total investment, 8.376 billion yuan was invested by the central authorities. Investment by state-owned enterprises in various localities amounted to 11.99 billion yuan, up 22.6 percent.

In 1988 Shanghai worked hard to improve its investment pattern. The proportion of productive investments rose. As a result, the construction of key projects was given priority. This led to the successful completion of the nine projects mapped out by the municipal government at the beginning of the year. A number of key projects were completed and put into production. Construction of the five infrastructure projects, including the installation of 200,000 program-controlled telephone sets, the water pollution treatment project, and the project for the expansion of the waiting lounge at Hongqiao International Airport, which have attracted the attention of the people of Shanghai, has been started. The construction of the first-phase project for a subway and the Nanpu Bridge has also been started. A ferry service for passenger vehicles has gone into operation between Shanghai and Chongming Island. The expressway between Shanghai and Jiading has been completed and put into operation. The tunnel under Yanan East Road has been opened to traffic on a trial basis. New telephone equipment with a capacity of 100,500 telephone sets has been added, and 48,000 new telephone users were added last year. In 1988, new housing with a floor space of 4.63 million square meters was built in the municipality.

Since the fourth quarter of 1988, the municipal authorities have begun the work of screening fixed assets investment in accordance with the relevant provisions of the State Council. To date, 1,536 projects have been stopped or suspended, reducing investment by 4.8 billion yuan. Of these projects, 158 were projects for office buildings, auditoriums, and hotels, resulting in a cutback of investment by 1.507 billion yuan.

4. The Market Has Remained Basically Stable; The People's Living Standards Have Continued To Improve

In 1988, the volume of retail sales amounted to 31.349 billion yuan, up 31.3 percent over the previous year. There were abundant supplies of meat, poultry, eggs, fish, and other nonstaple foods. The supply of vegetables was stable. Industrial consumer goods sold very well, and the supply of daily necessities was normal. In 1988 there were a few market fluctuations in Shanghai due to various factors. The municipal party committee and the

municipal government immediately adopted effective measures to cope with the situation. As a result, the market remained basically stable, but the chaotic situation in the field of commodity circulation has not been overcome. It is necessary to further adopt measures to correct the situation.

With the development of the economy, the living standards of the people of the whole municipality have continued to improve. The total wages of the municipality's staff members and workers amounted to 10.964 billion yuan, up 21.9 percent over the previous year. The average annual salary of staff members and workers was 2,181 yuan, up 21.4 percent over the previous year, or 1.1 percent after a 20.1 percent rise in the cost-of-living index is factored in. The actual wage increase was a bit higher if income from sources other than wages and bonuses is counted. According to a sample survey, peasants' per capita real income was 1,301 yuan, an increase of 22.8 percent over the previous year, or 3.5 percent after allowing for price increases. The income increase among people of various strata was uneven due to the sharp price hikes. The living standards of some residents, particularly some government cadres, teachers in middle schools and elementary schools, and retirees actually declined.

5. New Advances Were Made in Science, Technology, Education, Health Work, and Other Social Undertakings

In 1988, various public undertakings made further advancement following the development of the economy. Notable results were achieved in scientific and technological work. A total of 2,062 scientific and technological results were registered following examination and approval, an increase of 107 items. Of the total, 446 items reached the advanced world level, and 762 items were achieved for the first time in China. Scientific research and production were further integrated. A number of scientific and technological research projects designed to support the key industrial projects of the 14 cities were won by bidders. Education made steady progress in the course of reform. Last year, Shanghai's educational funds rose by 21.3 percent over the previous year. In the urban areas, 59,000 new elementary school students were admitted last year, and the enrollment of students in schools of higher learning was completed according to plan. Health departments did their best in preventing and treating hepatitis B at the beginning of the year, and their efforts resulted in improved disease prevention. New progress was made in sports and culture. Civil affairs work and care for handicapped people won the concern and support of people of all walks of life.

In 1988 Shanghai faced a number of problems in economic work. Some of the main ones were as follows: 1) There was swelling consumer demand, which was clearly

manifested in the excessive scale of investment, particularly the excessive number of projects for office buildings, auditoriums, and hotels; 2) although the economic performance of the municipal enterprises improved, their potential was not fully tapped. Some of the enterprises were basically poorly managed; as their costs and consumption of materials rose, their product quality declined; and 3) the municipality's macroeconomic adjustment and control were not effective enough. In particular, the municipality lacked an effective method of adjusting and controlling projects outside the plan and the budget, resulting in an unbalanced development of the economy. Since the fourth quarter of last year, the municipality, implementing the central policy of improving the economic environment and rectifying economic order, has made some progress in curtailing investment; screening and reorganizing companies; conducting a general taxation, pricing, and credit inspection; and strengthening market management. Although some achievements in these areas were made, they were far from sufficient. A great deal of work still remains to be done in 1989.

II. The Goal and Tasks Set in the 1989 Plan

The primary goal and basic tasks of our municipality's plan for this year are as follows: We shall take further steps, in the course of improving the economic environment and rectifying the economic order, to stabilize the economy, curb investment, control consumption, readjust the structure, deepen reforms, win bumper agricultural harvests, achieve appropriate industrial growth, increase effective supply, and substantially lower the price index this year. We shall integrate our efforts to improve the economic environment and rectify the economic order with our drive to deepen reform and we shall integrate our efforts to curb demand with our drive to readjust the structure. We shall work hard to ensure that Shanghai's economy remains stable in the course of readjustment and that it develops while remaining stable. In view of the tremendous difficulties to be faced this year, we have left some leeway in this year's plan. We will try to exceed the set targets when we actually implement the plan.

In accordance with the above demand, the municipality's 1989 plan for economic and social development has the following targets:

- The GNP will grow by 7 percent;
- Industrial production will rise by 5 percent, with industries owned by the whole people rising by 2 percent;
- Agricultural output value will rise by 2 percent; and efforts will be made to stabilize the production of grain, cotton, and edible oil and to increase their output, and to improve the production and supply of vegetables and principal nonstaple food items;

- Investment in fixed assets will be reduced by a large margin from that of last year and will be controlled within the target set by the state;
- The total volume of retail sales will rise 20 percent or so;
- Exports are set at \$4.3 billion; however, efforts will be made to exceed this target;
- Local revenues are set at 15.4 billion yuan, slightly higher than that of the previous year; and
- The price index will be substantially lower than that of last year, and the people's livelihood will continue to improve.

The specifics of the plan concerning the major areas are as follows:

1. Try To Win a Bumper Harvest This Year By Every Possible Means; Make Big Efforts To Increase the Supply of Agricultural and Sideline Products

With regard to the rural economy in suburban counties, we shall act in accordance with the policy of development of the recent years established by the municipal party committee and government; persist in making agriculture the economic foundation; achieve coordinated development of agriculture, industry, and commerce; and go all out to win a bumper agricultural harvest this year.

The targets for the production and supply of major agricultural and sideline products are set as follows: Grain output will total 2.1 million metric tons; the volume of grain procured by contract will total 214,000 metric tons, and efforts will be made to encourage the peasants to sell more polished nonglutinous grain to the state at negotiated prices; cotton output will total from 12,500 to 15,000 metric tons; rapeseed will total 135,000 metric tons; hogs for sale in the market will total 3.2 million head, with 1.11 million head to be sold in the municipality; the number of poultry on sale in the domestic market will total 40 million; fresh eggs will total 109 million kg; the volume of aquatic products will total 235,000 metric tons; milk will total 190 million kg; the daily supply of fresh milk will total 150,000 bottles (pouches); vegetables will remain at about 20 million dan; and efforts will be made to raise the quality and ensure balanced supply. Agricultural production is subject to unstable weather factors. In light of this, some leeway was left in the plan; however, we must work hard in practice to produce more than what was actually produced in 1988.

All trades and professions should support agriculture and contribute their share to promoting agricultural development. Investment in agriculture will be increased. Despite the sharp decrease in Shanghai's financial resources and construction funds in 1989, the

municipal government's decision to earmark 50 million yuan as fixed asset investment in agriculture has remained unchanged. All available funds designed to support agriculture should be pooled to establish an agricultural development foundation in order to make better use of the funds. The means of agricultural production should be supplied in sufficient quantity and good quality, and without delay. Farm machinery departments should ensure the production and supply of farm machinery as well as parts and accessories.

Suburban counties should further deepen the reform of the economic system in rural areas, improve the service network, and actively provide guidance to encourage agricultural operations on an optimal scale. Grain, cotton, and oil-bearing crops should be sufficiently planted on the planned acreage, and the procurement plan should be fulfilled. As regards the construction of non-staple food production centers, this year's emphasis will be to ensure the completion of projects that require less investment and yield faster results, and to do a good job of such support tasks as the breeding of young birds and animals and the supply of fodder grass, so that these production centers will go into operation once they are completed. We should continue to concentrate on improving the quality of vegetables and ensure a balanced market supply. Some 3,000 mu of piping facilities and sheds will be built this year. To develop agriculture, we should rely on scientific and technological progress. This year we should implement the major projects for popularizing agricultural technologies and other key agricultural development projects, and strive to obtain better results from these projects. Shanghai's land resources are very precious and should be managed properly. The use of land for construction should be strictly supervised according to plan, and no violation of the plan is allowed.

To ensure steady development, village and town enterprises in suburban counties should lose no time in conducting structural readjustment and improving enterprise management mainly by relying on their own accumulation.

2. Maintain a Steady Increase in Industrial Production While Increasing the Effective Supply and Achieving Better Economic Results

In 1989 Shanghai should continue to overcome difficulties in industrial production and strive to maintain an appropriate growth in the course of readjustment. All industrial enterprises should thoroughly launch the "double increase, double economy" campaign with a view toward increasing the effective supply, improving product quality, lowering material consumption, achieving better economic results, and guaranteeing the fulfillment of the planned targets.

In view of the demand of domestic and international markets and the readjustment of the product mix, the major points of this year's production are: 1) Ensure the

production of products in support of agriculture; 2) increase the production of manufactured goods needed by the people for daily use, as well as readily marketable durable consumer goods, 35 categories of which will be monitored and controlled by the municipality; 3) increase the production of exchange-earning export goods, machinery, and electrical products in particular; and 4) actively organize the efforts to increase the production of raw and semifinished materials in short supply as well as the construction of whole plants.

We should do a good job of technical transformation and development with a view to readjusting the production structure and product mix. This will build the strength for sustained development. In 1989 Shanghai plans to complete 160 major industrial technical transformation projects and import projects. Continued efforts will be made to put into operation those projects which were completed 3 years ago so they will yield economic results. We should continue to earnestly implement the "Shanghai Municipal Tentative Regulations on Development of New Technologies and Industries" in order to speed the development of new industries in Shanghai.

3. Stabilize the Market and Tighten Control Over Prices To Ensure the People's Livelihood

To stabilize the market and tighten control over prices are the basic goals and tasks of this year's economic work, which must be fulfilled.

First, we should continue to carry out the "vegetable basket" project in a down-to-the-earth manner, striving to ensure a better job in the production and supply of vegetables and major nonstaple foodstuffs this year than last year. The management system of the production and marketing of nonstaple foodstuffs should also be reformed.

Second, we should set up a system for monitoring and controlling the 51 kinds of commodities needed by the people in their everyday life but in short supply on the market. The relevant municipal department has already set up a leading group to monitor and control the production arrangements, commercial procurement, and market movement of such commodities so as to ensure an increased supply of the essential goods.

Third, we should improve commodity supply by giving play to the leading role of state-run commerce in circulation channels. Exportation of commodities in short supply should be reasonably cut in order to increase their supply in the domestic market. Efforts should be made to cut back and guide self-marketing by the industry and to increase the procurement by state-run commerce for the municipal market. It is also necessary to vigorously improve commercial services and strictly reinforce the supply policies.

Fourth, we should adopt necessary administrative measures to rectify the sequence of circulation and tighten market control. The industry and commerce administration and departments in charge of commodity prices, taxation, and commerce should regularly conduct the inspection of prices, tax collection, and supply policies in order to rectify the sequence of circulation and ensure a stable market.

Fifth, we should strictly control price rises of the people's daily necessities. The municipal government has decided to keep the prices of 19 kinds of the people's daily necessities the same as last year.

We must strictly control prices. Commodities under the control of the central and municipal authorities must be sold at prices approved by the state. Price readjustment for goods that are deemed necessary should be reviewed and approved by the relevant authorities according to the state regulations. The powers for price control will not be further delegated to lower levels this year, nor will the scope of decontrolled goods be further broadened. The number of small commodities closely related to the people's everyday life and under price control will be increased.

4. Further Promote Economic Relations With Foreign Countries in the Course of Improvement and Rectification

The work on foreign trade this year should be focused primarily on readjusting the product mix of export commodities by bringing into full play Shanghai's technological superiority and vigorously increasing the exportation of machinery and electrical products so as to overfulfill Shanghai's targeted \$3 billion exportation of goods this year. Second, it is necessary to study and work out policies for encouraging the importation of more raw materials and exportation of more processed goods, and go all out to "put both ends of the production process on the world market." Third, it is necessary to continue to strengthen the reform of foreign trade structure, and actively promote the export agent system and "double" contracting in industry and foreign trade so as to encourage the integration between industry and foreign trade on a new foundation and better fulfill the export tasks contracted by Shanghai.

It is necessary to be both enthusiastic and prudent, make the best choices, and strive to maintain the momentum of investments by foreign businessmen in Shanghai. With regard to items with foreign investment for which contracts have already been signed, we must "abide by the contract terms and keep our promises" and strive to make them successful. While approving new items involving foreign investment, it is necessary to stress the "two priorities." First, it is necessary to select key items for which the advanced technology is either nonexistent in China or is badly needed in Shanghai, and the

economic results of which are good. Second, it is necessary to give priority to items for which "both ends of the production process are put on the world market," and which are potential foreign exchange earners.

In 1989, Shanghai will continue implementing the pilot project of leasing land use rights; strengthen contacts and cooperation with the World Bank and other international financial organizations; improve the investment environment in the three development areas at Minhang, Hongqiao, and Caohe to boost their appeal; and speed preparations for the development of Pudong.

5. Resolutely Scale Down Investments, Continue Project Screening, and Ensure the Completion of Key Projects

This year, we will continue to do a good job in project screening and resolutely suspend or postpone a great number of projects, including production projects of which the products have no market and which lack guaranteed supply sources of raw and processed materials as well as sufficient conditions for construction. During our overall planning, we have given priority to agriculture, education, science, and technology, and have greatly reduced investments in other areas.

In arranging specific items, we stressed implementation of the state policy of "four stresses and four reductions." Taking Shanghai's actual conditions into account, we have stressed energy, transportation, communications, raw and processed materials, agriculture, and education; cut down industrial processing and other such projects which have no particularly economic value; ensured the completion of project listed under state planning; suspended projects not included in state planning; stressed projects that can increase effective supplies or exports; cut down nonproductive projects, particularly office buildings, auditoriums, and guesthouses; emphasized technological imports and the use of foreign capital for enterprise renovations; and cut down technological innovation of a general nature, particularly innovations for reproduction on an extended scale. To ensure the fulfillment of the construction plan, we have decided on 44 important projects for this year including the Yongxin color television kinescope project, which will produce 1 million color television kinescopes annually; the Shanghai ethylene project, with an annual capacity of 300,000 metric tons; the Shanghai aluminum plant which will produce 6,000 metric tons of aluminum foil annually; the Guangang loading and unloading area which has eight berths to accommodate 10,000-ton ships, the Shanghai Dazhong automobile plant which will produce 30,000 sedans and 100,000 auto engines annually, the second-phase construction of the Baoshan iron and steel complex, the Shidongkou power plant, the sewage treatment project, the subway project, and the Nanpu bridge project.

This year, acting according to our ability, we will give priority to projects that have good economic results, promise fast returns, and are closely linked to Shanghai's economic development and the people's livelihood.

6. Actively Develop Education, Science, Technology, Culture, Public Health, and Other Social Undertakings

We must place the development of education in an important strategic position. Under the condition of reduced expenditures and scaled-down investments this year, government at all levels must make utmost efforts to increase education funds and investment in education to a certain level. In accordance with the policy of restructuring the education system, enrolling students according to actual needs, and raising the teaching quality, the education departments must continue to readjust and reform the various levels and types of education.

Scientific and technological work must be closely integrated with Shanghai's economic construction. We must continue to stress the 14 key industrial research projects and the 5 major urban construction projects as well as other technological research items urgently needed to increase production. We must continue to pay attention to basic research as well as research in social sciences.

In this year's public health work, we must strengthen health education and preventive medicine for all people, actively promote education in medical ethics, establish a good medical and public health system, and make new achievements in our medical and public health work. We must continue to do a good job in family planning, promote eugenics, and strictly control the mechanical population growth.

While implementing the readjustment policy, it is necessary to stress raising the level of cultural, sports, and civil affairs undertakings, pay attention to their social impact, and make new progress.

III. Major Measures for Implementing the Plan

This year is a period of economic adjustment. We are facing many new situations and new contradictions, and so the task of adjusting the economic structure is very arduous. It is apparent that there are more factors limiting the development of production, and the economic work will be more difficult than that of previous years. Lacking sufficient funds and inadequate energy sources and supplies are still the main problems at present. All industries and trades must give full play to their favorable conditions, find ways and means to overcome all kinds of difficulties, and adopt various effective measures to insure the fulfillment of this year's economic plan.

1. It Is Necessary To Further Deepen the Reform of Enterprises and Strive To Raise Economic Results.

Whether Shanghai's economy can maintain stability and achieve certain progress or not, the key lies in hard efforts by various enterprises. We must continue to improve and develop enterprises' contract responsibility system. On the basis of experiences gained from trials at selected units last year, we should extensively introduce

the competitive mechanism and select outstanding operators to speed up the change of operational system. All enterprises must effectively strengthen management and set a high demand on their operations. They must strengthen management at the basic level, improve labor discipline and raise productivity. They should further unfold the campaign "to increase production and practice economy and to increase revenue and retrench expenditures," conscientiously formulate measures to insure the success of the campaign, strive to raise economic results, and guarantee the fulfillment of quotas of various contracts.

The quality of products is the life of Shanghai's enterprises. All industries and trades must adhere to the principle of giving first priority to insuring the good quality of various products. They must seriously implement the plan of supervising the quality of 1,000 major products, expand selective examinations, and increase the frequency of spot checks on quality of products. They should actively adopt international standards. This year, we should strive to fulfill the plan of adopting international standards for 400 key industrial products. Various units must continue to make efforts to conserve the consumption of supplies with special emphasis on saving electricity, fuel, and steel materials. In 1989, our plan is to save 500,000 metric tons of coal in conserving energy, reduce the ratio of energy consumption per 10,000 yuan's worth of industrial products by 2 percent, and save 600,000 metric tons of key raw materials.

In accordance with the principle of being aggressive but safe, we should continue to let enterprises operate in a more liberal way this year, improve the joint stock system at selected units, find ways for further strengthening the reform of enterprises and obtain experience through trials.

2. It Is Necessary To Speed Up the Adjustment of Industries and Products and Improve the Allocation of Resources.

In order to fundamentally overcome Shanghai's difficulties of inadequate energy sources, raw materials, and funds we must emphasize adjusting the economic structure. In the light of the actual situation in Shanghai, we must first adjust the industrial structure when we adjust production structure. In adjusting the industrial structure in this and next year, our goals are to use available energy sources, funds, and raw materials in the most reasonable way, emphasize expanding exports, increase effective supplies, increase revenues, and make the most of added resources and means of production. In adjusting industries and products this year and next, we must first do a good job now while taking the long-range development into consideration. We have decided that the highlights of the adjustment plan will include the following. We should give priority to developing 200 kinds of key products, including high grade durable products and chemical industry products, sedans, precision machinery, equipment, and facilities for electric

power stations, and microelectronic products; we should limit or stop the production of 100 kinds of products, including old type washing machines, old type manual watches, common grinding machines, milling machines, common medium- and small-size steel materials, calcium carbide, and other items that consume a lot of energy sources, and we should give priority to the building of 200 key construction projects and close or merge 82 enterprises. Financial, tax, banking, supply, and transportation departments should, according to the plan, use administrative and economic measures to help develop fine industries and limit poor industries and use capital, energy sources and raw materials for the development of key industries and the production of key products.

This year is the fourth year in implementing the Seventh 5-Year Plan. While organizing and implementing the adjustment plan for this year and next, we should waste no time in studying the development plan for the Eighth 5-Year Plan and make preparations for the smooth integration of the economic adjustment in this and next year and the Eighth 5-Year Plan to gradually guide Shanghai's national economy onto the track of prolonged and stable development.

3. We Must Try Our Best To Achieve an Overall Balance of Capital, Foreign Exchange, and Materials and Support Sound Development of Production and Construction.

The key to solving the capital shortage lies in increasing savings deposits and stabilizing finance. The development of savings deposits in the city has been good since the beginning of this year. The financial departments must continue to work hard and actively develop various kinds of savings deposits, improve their service, provide conveniences to their customers, and do their best to increase recovery of credit. In the use of capital we must embody a policy of readjusting economic structure and favoring the superior over the inferior. We must identify priority in accordance with different periods of time and in the order of importance and urgency. We must strengthen macroeconomic management of social capital. Based on the unified plan of the city, we shall guide the direction and use of monetary facilities outside of banking system, some large companies, and foundations. We must make stopgap loans available to enterprises to solve their urgent needs.

The basic solution to balancing foreign exchange is to increase exports by a wide margin. Only by increasing exports will we be able to create more foreign exchange and use it. Meanwhile, we must cut down on the use of foreign exchange and only use them rationally. Departments in charge of foreign exchange will strengthen foreign exchange management and strictly control unnecessary imports. We will encourage enterprises with sound financial conditions to arrange their imports with banks on foreign loans to ease the strain in retaining a

portion of foreign exchange and contradiction of shortage in flowing supply of renminbi. For the use of foreign exchange in the large amount of raw and semimanufactured materials and construction projects, we will guide enterprises to find their funds in markets.

To solve the problems of short supply in materials and energy, we will continue to seek support from the state, strengthen the work of pushing delivery of materials allocated by the state, make good efforts to coordinate and exchange materials, organize localities to produce more, and enlarge import-based export. We must tighten management of budgetary consumption of electricity. We must try our best to ensure the electricity supply for key products and industries of raw and semimanufactured materials. This year, the city will formulate a policy and necessary regulations of compulsory nature to strengthen the recycling of used materials, restrict unreasonable consumption of materials, and conserve materials in short supply such as copper, aluminum, and galvanized iron. According to relevant regulations of the state, some important materials and commodities will be placed under special control. Departments in charge of this work must strictly enforce this policy, improve their service, and try to do their best to supply materials under special control.

4. We Must Curtail Expenditures and Control Hasty Growth of Consumption Funds

We must tightly control financial expenditures. First of all, we must ensure the proper expenditure of wages and effective subsidies for stabilizing prices. In addition, we must increase proper inputs to education and agriculture. We must resolutely curtail various expenditures such as office expenses, expenditures for holding meetings, expenses for official travels, and expenses of purchasing office utilities. We must strictly follow regulations governing collective purchasing power issued by the State Council and the city government. It is necessary for us to strictly check and rectify the quota for controlling collective purchase and conscientiously implement the measures of supplying commodities under special control.

All enterprises, institutions, and departments must practice economy and fight against waste and extravagance. We must further improve the system of linking wage to economic performance, rectifying the channels from which bonuses are drawn, strictly control the increase of total amount of wages, and stop wanton issuing of bonuses and allowances in cash or in kind. We must tighten our management of and supervision on ways to hand out wages and bonuses by various companies. In addition, we must adopt various methods to correctly guide consumption and draw and postpone surplus purchasing powers in the society.

Great importance must be attached to strengthening and improving macroeconomic adjustment and control in our drive to improve the economic environment, rectify

the economic order, and strengthen reform. In this respect, the city, beginning this year, will find a suitable way to tighten monitoring and supervision of economic activities of society as a whole, by strengthening the authority of departments that are charged with overall responsibilities, giving weight to unifying regulations governing productive elements, and improving the work system. All departments, enterprises, and institutions must conscientiously obey macroeconomic control and regulation and subjugate partial interest to overall interest. To gain a better effect of macroeconomic control, we must further improve democratic and scientific approaches in our decision making process of economic policy. This year, the city government and various departments will invite opinions from the city people's congress, CPPCC, scholars, and experts on important issues concerning policy through various channels and in various forms. In this way, we can pool the wisdom of the masses, join our efforts in accelerating Shanghai's economic development, and ensure accomplishment of Shanghai's 1989 plans for national economy and social development.

CONSTRUCTION

Program for Reform of Construction Industry
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[Article by Lin Hanxiong 2651 3352 7160: "Meet the Challenge of Deepening Reform; Strive To Do a Good Job This Year and Next Year"]

[Text] I. Improvement of the Economic Order, Provide Good Opportunity for All-Round Advances in Reform of the Country's Construction Industry

The recently convened 3d Plenary Session of the 13th Party Central Committee decided that the focus of reform and building in the country during 1989 and 1990 should be on improving the economic environment and rectifying the economic order. This was a major policy decision made in a key conference convened during a key period of reform. We believe that this strategic decision of the Central Committee poses both numerous new problems and a severe test, and also allows time for sober reflection and further thought and discussion. It also provides a rare opportunity for deepening reform of construction enterprises.

The reform and liberalization that followed in the wake of the 3d Plenary Session of the 11th Party Central Committee gave a new lease on life and renewed vitality to development of construction work throughout the country. In comparison with other trades, reform of the construction industry got off to an early start during reform of the urban economic system. This reform focused primarily on a shortening of construction periods, the lowering of construction costs, improvement of

project quality and returns on investment, and promoting an investment contract responsibility system for construction projects; trying out a contract system for the letting of tenders for project construction; reform of the labor system, the wage distribution system, and the promotion of economically diversified contract responsibility systems; exploration of design units' institution of enterprise style management; transfer of scientific and technological achievements for compensation; and beginning the contracting of external projects and labor cooperation, etc. These reform actions generated a positive influence on the reform of all trades and industries. Within 10 years, a total of 951 large- and medium-sized engineering projects and more than 70,000 public facilities of various kinds affecting the national economy and the people's livelihood were built, causing great changes to occur in the look of cities. A total of 9.75 billion square meters of new housing was built in cities and the countryside. The construction industry produced a 1 trillion yuan gross output value for society from 1979 through 1987, and realized a national income totaling 280 billion yuan. We proceeded from needs for development of a socialist commodity economy, in beginning to explore new roads in the building of the country's cities, promoting comprehensive development, integrated construction, and the use of municipal government facilities for compensation, experimented with the fair pricing of public utility products, vigorously promoted reform of the housing system, and experimented with reform of the land-use system. All this shows that during the past 10 years the diligent efforts of construction workers throughout the country have made substantial contributions to the economic and social development of construction enterprises during this new era, and their achievements have attracted worldwide attention.

However, we have no reason to be smug. We must clearly realize that we still face numerous problems and hardships. Some major problems are that the construction industry has yet to set up a management system and a transportation system commensurate with the needs of a commodity economy, thus, the extent of its commercialization is extraordinarily low. A benign cycle for self-accumulation, self-transformation, and self-development has not yet been shaped in the construction industry, the housing industry, and municipal government public utilities, and there are serious distortions in the products and services provided. Market growth in the construction field is very unsound, and even extremely chaotic in some regards. Fairly serious bureaucratism and corruption exist in numerous links of the management system. In an overall sense, these industries still lack vitality, and they have no reserve strength for development. Urban municipal government public utilities are inadequate, still far from being able to fill the public needs and development of the national economy. Project quality is poor in many cases, consumption high, benefits low, technology backward, and accidents frequent. Rural and town construction management is weak, and to a substantial extent out of control. These problems arise from, first, continued functioning of the

old system that long hobbled the country's economic and social development; second, in the process of the new system replacing the old, the various links in reform either do not fit together or conflict with each other; and third, the country's economy has been in an overheated state for the past several years. These problems have seriously hurt further development of the construction industry, and are very much inconsistent with requirements under these new circumstances.

The 3d Plenary Session of the 13th Party Central Committee's promptly readjusted strategic deployments and made a timely decision to improve the economic environment and rectify the economic order. This provides us an opportunity to extricate ourselves from a passive situation. It provides room for maneuver in making the most of potential, for surmounting difficult time differences, and for readjusting policies and deepening reforms. Although we will encounter many new problems under the new circumstances, with the correct leadership of the CPC Central Committee and the State Council, and with the cohesiveness of the political dominance of the Party and the people of the whole country, by correctly handling the relationship between difficulties and opportunities, the relationship between the overall situation and the partial and immediate situation, by organically linking "improvement" and reform, and by effecting temporary and permanent solutions in parallel, we will be completely able to get out of difficult predicaments. We believe that by actively and steadily promoting one practical step after another in reform, gradually overcoming existing problems, China's construction industries can be put on a path of longterm, steady development.

II. Rally the Spirit To Meet Challenges

The situation that the construction industry faces today is a serious one. Beginning now, the long march toward ideal goals will certainly entail more serious effort and be more difficult than we imagine. We must face realities, and rally our spirit to meet challenges. The challenges that our construction industry face are manifested primarily in the following ways:

A. Vigorous Retrenchment of Capital Construction Will Pose a Challenge From Large Numbers of Construction Enterprises Halting Work, and a Construction Corps of Several Million Facing Unemployment

The continuous expansion of the scale of capital construction over a period of several years has led to a headlong expansion of the construction corps. The country's construction army increased from somewhat more than 7 million in 1979 to 24 million in 1987. This included, in particular, the coming to the fore of a rural construction corps, mechanized and mobile, and accounting for more than half the total number. During 1989 and 1990, capital construction will be retrenched approximately 30 percent, and technical transformation projects will be cut back by about 40 percent. This is bound to result in the enforced idling of large numbers of

construction staff members and workers. Not only will a substantial number of peasant workers be dismissed, but between 3 and 4 million staff members and workers in state-owned and city and town collective enterprises will be laid off. Families included, the number of people affected will be more than 10 million. If this issue is not handled well, it can turn into an element for social instability.

B. In Spurring the Commercialization of Home Construction and Private Home Ownership, Challenges Will Be Encountered From Traditional Concepts and Vested Interests

Although the interest structure and a whole body of commodity economy concepts created by the longstanding political and economic system came under very great attack during the reforms of the past 10 years, the influence of force of habit remains substantial. The slow progress made in reform of the country's housing system provides clear proof of this. Accompanying future economic system reform, the inclusion of house construction entirely within the socialist market economy for its gradual commercialization will inevitably encounter greater difficulties.

C. In the Process of Changing From the Old to the New System, Because of the Incompleteness of Legal System Provisions and Management Omissions, a Challenge Will Be Faced From Chaos in the Construction Market

In the process of reform, numerous old things have been destroyed, yet new things have been difficult to establish for the time being. In some cases, there are no rules to follow and no laws on which to rely, and in other cases the law is not enforced strictly, violations of the law are not investigated to assign responsibility, and it is difficult to avoid leaving loopholes for violation of laws. One example is that though the country's real estate industry has just begun to make progress: more than 2,700 real estate development companies of one kind or another have appeared, of which substantial numbers are making a living on land speculation. Presently, a large number of companies have come into being in which there is no separation of government administration and enterprise management, and no separation between government and business; while at the same time several enterprises have resorted to unethical methods to monopolize projects, relay contracting from one level to another, make money by exploiting a middleman position, give and accept bribes, etc., which seriously disturbs the construction market.

D. Facing the Challenge of Backwardness in Management in the Large-Scale Construction Process

Because management endeavors have failed to keep pace, the more labor quotas have been changed in recent years, the lower they have become; construction techniques have become increasingly slapdash; more and more materials have been consumed; accidental injuries

and death have increased; and poor quality of construction is serious. A nationwide random sampling of civilian construction done in 1988 showed an acceptance rate of only 48 percent. Houses everywhere leak, and residents are so dissatisfied they are on the verge of losing confidence.

E. Facing a Challenge From Scientific and Technical Backwardness at a Time of Swift Development of the World's New Technological Revolution

China's construction remains "clumsy, big, somber, and crude," and is monotonous. Its style is trite, very much inconsistent with needs for socioeconomic development and the people's material and cultural life during the new era. Construction technology is unrefined, new construction systems are lacking, research and development of new techniques, new materials, new technologies and new equipment is very weak, and very little applied.

F. Facing the Challenge of Low Competitiveness in a Situation of Intense Competition in International Construction Markets

During the past 10 years, the construction industry has mostly exported labor services. We have not done general contracting for project design, materials, and equipment. Our foreign exchange earning capability is very limited; furthermore organization is chaotic, and our labor service costs are high (averaging \$380 while they are \$200 abroad). Unless action is taken at once, we will lose competitiveness and possibly be excluded from the international market.

G. Facing the Challenge of a Bad Investment Climate When the Country's Cities Are Carrying Out a Policy of Reform and Opening to the Outside World, and Are Courageously Attracting Both Domestic and Foreign Capital

Basic facilities in the country's cities are very badly maintained. In recent years, urban water, electricity, heat, gas, and public transportation have all been in very short supply. Environmental sanitation is on the wane; urban economic development has been curbed; the public is generally dissatisfied; and in many cities, ability to withstand disasters is poor. They are unable to stand up to wind and rainstorms, and a crisis may occur at any time.

H. Facing the Challenge of an Abnormal Price System During the Transition From a Product Economy to a Commodity Economy

For many years, we have not recognized the commodity economy, and have not given serious attention to the laws of value. As a result, all prices are distorted. Construction industry profit rates are overly low, making it difficult for enterprises to carry on. The welfare-like policy used in the allocation of urban housing means the country has to carry a heavy burden. Urban public utilities have long depended on state financial subsidies, so enterprises have no vitality. Now, unless prices are

adjusted, it will be difficult to establish a new commodity economy order, but all parties will find a fair adjustment of prices difficult to accept. This dilemma seriously perplexes us.

I. Facing the Challenge of a Lack of High Quality Personnel as We Engage in Brand New Undertakings Without Parallel

In the process of building a new socialist commodity economy order, we lack knowledge and experience with regard to the new science of management and the actual application of the laws of value, so we may encounter numerous new and unexpected problems. In addition, overstaffing, the overlapping of agencies, declining efficiency, and serious bureaucratism mean that numerous correct ideas may be artificially negated, and some very good actions may turn out differently than intended in the course of implementation.

J. Many Trades and Industries for Which My Ministry Is Responsible Link Together Countless Households, and Are Essential to People's Work and Daily Life, but They Face Challenges From Irregularities Within Trades and Industries

China's public housing and various types of public facilities are small in number and low in quality. As popular demand increases and consumption advances, it will be impossible to moderate the conflict between supply and demand. This state of affairs should spur us to redouble our efforts to improve the quality of service and work efficiency, but some people withhold these efforts as though they were a rare commodity, and take the opportunity to misuse their authority for private gain. In numerous places, doing shoddy work and using inferior materials in construction, irregularities in the apportionment of housing, the taking of a percentage at every level in contracting, and the consumption, taking, blocking, and demanding by public utilities, which the public terms "house tyranny," "gas tyranny," and such public social evils, seriously hurts their reputation.

In a nutshell, the situation as we understand it today is that China's construction industry is facing at least the following challenges at the present stage: the challenge posed by the lay off of large numbers of construction workers and unemployment, the challenge of vested interests and traditional concepts, the challenge of market chaos, the challenge of backwardness in management, the challenge of backward science and technology, the challenge of low competitiveness, the challenge of a bad investment climate, the challenge of price distortions, the challenge of low personnel quality, and the challenge of irregularities in trades and industries. Additionally, quite a few external relationships have yet to be straightened out, such as the division of labor in land management, and integrated reforms with regard to tax collections, fiscal matters, plans, and wages, etc., all of which restrict the development of the construction industry.

We believe that one of two attitudes can be taken toward the difficulties and problems. One is to be beaten down by the difficulties, to lose confidence, and to attempt nothing. The other is to arouse the will to fight, to forge ahead, and to turn around the critical situation. We recommend the second attitude. That "hardships produce heroes" has always been the case; difficulties provide all who carry burdens, who are dedicated to their work, and who have a sense of responsibility an opportunity to show their ability. Our country is at a critical juncture at the present time; the continued development of reform and construction depend on whether we can genuinely fulfill the daunting task of "improving the economic environment and rectifying the economic order" during 1989 and 1990. History provides a stage on which everyone with the will to develop China can show his skill in "governing the country and benefiting the world."

III. Deepening of Reform, Moving Ahead, and Doing a Good Job During 1989 and 1990

A. Bolster Macroeconomic Guidance of All Tasks in the Construction Industry Through Legislation and Policies

The various challenges we face and the numerous problems that have appeared are a conspicuous demonstration that our legislative and policy performance lags behind the needs of real work. Only through the vigorous strengthening of the legal system and policy studies will it be possible to have laws to rely on and rules to follow, to put an end to irregularities, and to insure the smooth development of all links in the construction industry. During 1989 and 1990, particular attention must be paid to work in two regards: first, speeding up legislative progress, fulfilling the construction law system's and the Ministry of Construction's 5-year legislative plan, and urgently drafting six laws, namely the "Construction Code," "Urban Planning Code," "Municipal Government Control Law," "Real Estate Code," "Housing Code," and "Scenic Areas Protection Law." Every effort should be made to enact the "Urban Planning Code," the "Municipal Government Control Law," and the "Housing Code" this year. Second is to make proposals and suggestions for major economic and social policies on the basis of realities in improving the economic environment and rectifying the economic order, and in accordance with the overall requirements for reform of the national economic system and political system, formulating policies that apply to the purview of our official duties to carry out the major duties of functional units in government.

Reform is the process of getting rid of the old and implanting the new, which requires timely policy actions. It is also a process that requires the constant summarizing of experiences, augmentations, and perfection as it goes along. Emancipation of thinking, using one's brains, and probing realities is particularly necessary in order to do this. Theoretical workers and practical workers should be encouraged to work closely

together, organizing the construction corps through the study of topics having important practical value and theoretical value. At the present time, either no one is studying or insufficient study is being devoted to a large number of pressing practical problems, while at the same time various papers and study reports cannot be used to direct practical work since they are too far removed from real life. This problem of theoretical study being divorced from realities should be solved with all possible speed. All comrades dedicated to making a contribution to the success of this industry should get out of government agencies, educational institutions, and research units to become involved in the actual reform of the dynamic construction industry, gradually becoming experts possessed of both an understanding of specialized knowledge and able to fathom the reform situation as a whole. The Ministry of Construction will raise a series of problems in reform of the construction industry, will organize forces, and will carry out investigation and study in concert with comrades in all jurisdictions.

B. Hastening the Pace of Construction and Design System Reform, Readjustment of the Organizational Structure, and Raising Planning and Design Standards

Large numbers of construction workers face layoffs as a result of the retrenchment of capital construction, so how to reform the construction system in a timely fashion, and readjust the organizational structure has become a crucial task. One solution to this problem is state subsidies, but history has shown this not to be a good course, and one that is difficult to take in view of the central government's fiscal difficulties. Another method is to accelerate reform of the construction system.

In 1989 the construction corps began to accelerate implementation of the "three orientations," namely orientation toward society, orientation toward villages and small towns, and orientation toward the international market, thereby solving decisively and skillfully the problem of an excessively large work corps. In construction enterprises owned by the whole people, some of the finest members were organized to compete in domestic and foreign construction markets. The remaining number were whittled down through placement in collectives owned by the whole people, and in state-owned and privately owned enterprises in the development of economic diversification, the building of tertiary industries, and the broadening of avenues for employment. Some people also augmented township and town construction businesses, thereby helping them improve their technical and managerial levels. As the privatization of housing advances, both private and collective house repair units can be organized, with decorating and repair network points operating in competition with each other.

With the curtailment of capital construction tasks, workers hired on contract from elsewhere, peasant contract laborers, and temporary laborers in construction enterprises should, in principle, return to rural villages. After

discharging peasant laborers, enterprises should be sure to make use of the role and potential of their permanent workers, improving returns from labor in the course of the "improvement." Construction enterprises directly subordinate to various ministries or commissions should be assigned gradually, and in a planned way, to cities or industrial and mining areas to be put under local control, and the socialization of operations should continue. In short, decisive action must be taken to study and solve the problem of how to reduce the overly large construction corps. Solution does not lie in having the state take over the problem, nor in letting things take their own course, or washing one's hands of responsibility, but rather in relying on the readjustment of policies and reform actions in a readjustment of the organizational structure. When a report on this problem was made to the State Council, State Council leaders expressed approval, and also pointed out that governments in all jurisdictions should shoulder responsibility. All jurisdictions and all units should deal with the problem, all who have such construction corps being responsible for this work. Our comrades everywhere must handle the solution to the problem of construction corps layoffs as an important matter. They must act with determination and find solutions. Only in this way can we gain the initiative in the gradual building of a new construction corps with a well-rounded structure, and produce, as a result of competition, able people with vitality and talent who are able to meet the needs of new circumstances in the construction industry.

In the great amount of capital construction done during the last several years, quite a few problems also cropped up in design, foremost of which was that design personnel lack commodity concepts, do not have a strong sense of responsibility, and do not plan carefully. Specifications for several projects were overly high and wasteful. Secondly, except for a small number of projects, design standards for most civilian construction were not high, designs were monotonous, and styles were trite, stereotyped, and lacking in creativity. In addition, there was too much administrative interference. The individual creativity of architects and engineers does not yet receive the respect it deserves, and a "flourishing of creativity" has not yet been able to take shape. This year's acceleration of the pace in turning survey and design units under ownership of the whole people into businesses and socializing them, as well as the commercialization of the products of survey and design units, has genuinely brought about new types of enterprises having authority for their own operations, that account independently, that are responsible for their own profits and losses, and that have status as juridical persons. Design units should orient themselves to both domestic and international construction markets; they should constantly widen the scope of their operations; and they should spread into the areas of engineering consulting and general contracting. A contract operation responsibility system in which "three maintains, two guarantees, and one link" are the main components, should be instituted. By this is meant

maintaining quality, technology, and progress; guaranteeing income and payments to the state, and linking total wages and bonuses to economic returns. Simultaneous with strict examination of credentials should be continued development of design offices under both a collective system of ownership and private ownership for the formation of a new coordinated and mutually competitive design system made up of ownership by the whole people, collective ownership, and private ownership.

Project design and construction design is a creative labor performed by engineers and architects, which society should accord respect and cherish. Designers should treasure the spiritual value and the social benefit of the results of their own labors. They should have a high sense of responsibility and do design work that can be termed "the soul of project construction" so that more designs will be technologically advanced, functionally complete, economically sensible, and beautiful in form. As the commercialization of civilian construction progresses, we will have to give vigorous encouragement to diversification and individualized construction designs. We will have to encourage the design and construction of distinctive cities, villages and small towns, and various kinds of buildings that take account of different climatic conditions, different levels of economic development, different landscapes, and different ethnic customs, creating a fine city and town environment, and space for outdoor public activities.

C. Give Impetus to Development of a Real Estate Industry by Hastening Reform of the Housing System and the Land Use System

Marked inflation with an excessive rise in prices has occurred in the country's economic life giving rise to social disquiet and public dissatisfaction. Hastening reform of the housing system is an important action in improvement of the economic environment and rectifying the economic order that holds major significance for soaking up purchasing power, and curbing inflation. The commodity having greatest value that the construction industry can offer today is houses. Therefore, more effective methods must be adopted to accelerate reform of the housing system. At the present stage, housing must become a commodity that private individuals may buy and sell to make the most of the commodity attributes of houses for living, exchange, inheritance, for giving, and for transfer. One advantage of so doing is to make houses become a private asset having greatest value in people's lives, enabling the public to obtain material benefit from this reform and stimulating their enthusiasm for supporting reform. Second, it helps readjust the makeup of social consumption, holds down prices of goods, and plays a role in stabilizing the currency. Third, it does not entail an increase in the state's financial burdens for housing construction. Gradually, a benign cycle mechanism will come about in housing construction. Fourth it can promote development of the real estate industry.

In recent years, some cities have run pilot projects on compensated use of land, the real estate industry thereby becoming an element in production, and beginning to be included in the socialist commodity economy market system. The deepening of housing reforms, and advances in the privatization of dwellings will require objectively that we accelerate reform of the land use system, and hasten development of the real estate industry. At the present time, city land nationwide has a value of approximately 1 trillion yuan. We should use the development of real estate operations for the gradual inclusion of this huge fixed asset into the commodity economy category. If a value of approximately 20-30 billion yuan can be created each year, used largely to develop municipal government public facilities, our country's urban construction will possess vitality. This will generate a decisive significance in the construction industry's shaping of a benign cycle mechanism for self-accumulations and self-development.

The real estate industry is an extremely complex piece of systems engineering. Since experience in this regard is lacking, with the agreement of Central Committee and State Council leaders, we will make use of imports linked to Chinese realities in a full transplanting of laws from Hong Kong, Singapore, and the United Kingdom for the rapid formulation of a "Real Estate Code" and a "Housing Code." In 1989, we will produce six policy regulation documents pertaining to the development of real estate operations as follows: "Temporary Regulations on Commodity Housing Price Control," "Various Regulations Pertaining to the Sale of Commodity Housing," "Temporary Methods For Selling Old Publicly-Owned Housing," "Various Regulations Pertaining to the Urban Real Estate Market," "Various Regulations Pertaining to Urban Real Estate Administrative Control," and "Temporary Methods for the Repair, Maintenance, and Control of Publicly Owned Housing Following Sale." Where conditions warrant, cities may run pilot projects for real estate operations, and foreign investors may also be permitted, in accordance with provisions of pertinent Chinese laws, to come to China to take part in the development of real estate operations. We hope that through active support from comrades, we will be able to distill some fine experiences from one or two years of effort to guide and give impetus to the healthy and flourishing development of the real estate industry.

In the long term, development of the real estate business is bound to bring substantial economic benefits and infuse boundless vitality into the construction industry. For this reason, we have reached an agreement with the Chinese People's Bank for the gradual establishment of a housing savings bank mostly for cities, which may also be called a real estate bank, this bank to serve as a specialized agency for real estate credit, and for the holding of funds for settlement when residents build and purchase houses. It is also to exercise central control over and make use of state, enterprise, and public agency

house construction funds, funds removed from circulation through the sale of publicly owned houses, as well as savings for various kinds of housing. In this way, the construction industry can begin to bring about a genuine reduction in state financial burdens, and accumulate funds. Yet another problem requires reiteration, namely that all companies must turn over to the municipal government that portion of increase in commodity house prices resulting from an increase in land value caused by the centralized construction of municipal government facilities. These sums are to be earmarked for reinvestment in municipal government facilities.

D. Complete Rectification of the Construction Market Economic Order

Rectification of the construction market economic order is an important matter bearing on reform and development of the construction field as a whole. Construction authorities in every province, autonomous region, and municipality under central government control should act under centralized leadership of the local government, and in the spirit of the Ministry of Construction notice on restructuring of the construction market order, to begin to work actively with design committees, construction trades, industrial and commercial units, finance and tax units, auditing units, and inspection units. The focus of rectification is to be the use rights and relationships of government agencies and of companies operated by social groups and organizations that are responsible for design and construction tasks; design and construction unit use of bribery in acquiring projects, construction units' soliciting of bribes or accepting "kickbacks" in the exercise of their authority to issue contracts, or divulging minimum bids in calling for project tenders, collusion, and damaging the public interest for personal gain; not assuming any economic, technical, managerial, and supervisory responsibility, transfer of contracts for the sole purpose of making a profit, transferring contracts from one level to another, seeking illegal profits, or acting as a middleman in lining up projects; acting as a broker, practicing usury for easy gains; doing shoddy work and using inferior materials, and working in a rough and slipshod way to the detriment of the state and customers; designing projects without authorization, constructing projects without permission, failing to go through channels in the contracting of projects, or selling operating permits, credential certificates, and bank account numbers or seals; resale of important construction materials and manufactures for illegal profit; setting up obstacles to create difficulties, and using extortion on customers; quality supervision station, construction control station, budget setting station, and tender submission control station use of authority to expend, take, block, or make demands, and to enforce the law unfairly, etc. In the rectification process, emphasis is to be placed on existing problems, the deepening of associated reforms, the formulation of market standards, the shaping of fair exchanges, equal competition, and a strictly supervised and controlled construction market new order.

Increase in control over the real estate market. One matter requiring attention at the present time is that the sudden formation of the real estate market will mean an extremely active and complex market. We must be extremely vigilant about various problems that may come about in the wake of the real estate market. Even in developed countries where legal regulations are very strict, management very advanced, and experience very abundant, there are still many loopholes in the real estate industry. Therefore, the first thing to be done in 1989 is to intensify control over the real estate market, setting up real estate exchanges under centralized municipal government leadership, begin to restructure real estate development companies, making a complete survey of these company's resources, and reregistering them. Those failing to meet standards are to be resolutely abolished. Illegal dealings, such as arbitrarily jacking up house prices, churning of buying and selling to make a profit, concealing sales and covering up rentals, and tax cheating and tax evasion must be diligently investigated and punished. Control over commodity house prices must be intensified, the items making up the price being clearly identified, those costs not properly included in the house price being separated out. Furthermore, the sources and channels for such costs are to be put in order to help promote the commercialization of housing.

E. Bolstering and Perfecting the Building of Basic Urban Facilities To Promote Progress in Urbanization

China's urbanization process is actually a process of how to steadily bolster and perfect the multifunctional role of cities as part of economic development. City planning, construction, and management must be shifted from the models, concepts, and methods of the past to the path of an improved investment climate and helping to develop a socialist commodity economy. It must also be shifted to the satisfaction of people's various requirements to provide people a fine living and work environment. Therefore, in the future revision of urban master plans, the drawing up of specialized plans and detailed plans, full consideration must be given to commodity economy conditions, peoples needs in living, working, socializing, shopping, recreation, transportation, and exhibiting concern for people in all regards.

Municipal government basic facilities are the cornerstone on which cities depend for their existence and development, and they are an important indicator of investment climate quality. For a long time, basic urban facilities have been listed as non-productive construction projects in planning. Placed last, they have been the first to feel the pinch during a sudden curtailment of investment. As a result, the excessive neglect of basic urban facilities has gone unresolved for a long period of time. Today, water, electricity, heat, gas and transportation are in short supply in numerous cities, and the ecological environment is poor. This not only impairs peoples' lives and stirs popular dissatisfaction, but also seriously restricts the building of the economy. This being the case, while urban buildings, halls, and offices,

as well as unneeded non-productive construction projects are being retrenched, and the overall scope of capital construction controlled, the principle of doing only what one is able to do should be followed in the building of basic urban facilities to make the basic preparations needed for longterm, stable, and coordinated current and future economic development.

F. Hasten Reform of the Prevailing System for Contracting Foreign Projects, Lower Costs, Expand Operations, Take Concerted Action, and Coordinate the Attack

The second high tide in construction is now beginning to appear internationally, and the construction contracting market is extremely lively in all countries. China has not organized vigorously, has high labor costs, undiversified methods of cooperation, and lacks competitiveness, and unless reforms are made urgently, it may very possibly be eliminated from the international market. Thus, it is necessary to stop being concerned solely with only the financial value of contracts to the neglect of economic returns to be made. The economic assistance way of doing things must be abandoned as quickly as possible with regard to foreign projects. In addition to the export of labor, design consulting companies engaging in joint operations or independently registered abroad should be established as quickly as possible as part of the adoption of a complete contract way of doing business, from planning and design to the procurement of materials and equipment, increasing the levels of operation and expanding the scope of operations. At the same time, advanced foreign experiences should be studied, and military-style methods promoted for the resolute lowering of labor costs, the reversal of loss situations, and increase the competitiveness and foreign exchange earning ability. Every effort should be made to use houses in China and high quality Chinese-produced commodities instead of cash to compensate the labor of staff members and workers employed abroad, the foreign exchange earned by these staff members and workers thereby truly being used inside China.

Numerous shortcomings exist today in the foreign contracting system. Authority is not commensurate with responsibility; some people are a law unto themselves; people cut the ground from under each other; there is an outflow of profits; and there is inability to meet needs in the opening of international markets. We have already suggested that the State Council set up a coordinating agency with authority to provide centralized guidance in the contracting of foreign projects for the purpose of exercising internal coordination and a centralized policy toward the outside world, gradually unifying agencies having examination and approval authority for labor and design exports, and labor and design control units, and establishing and perfecting all kinds of economic responsibility systems, and strengthening organizational leadership of external projects. State Council leaders have already agreed in principle with the foregoing ideas, and have said that they want to call together units

concerned to study them and decide what to do. I believe that meeting the above requirements can improve our international competitiveness, help the country digest a large number of laid-off personnel, and help the country earn more foreign exchange. It can help consolidate and develop Middle Eastern and North African markets, while simultaneously opening up fairly economically lively markets in North America, Japan, Hong Kong and Macao, Southeast Asia, and eastern and western Europe.

Contracting of foreign project jobs should gradually shift to project contracting primarily, and the development of various kinds of industrial and export business, the acceptance of goods in payment that can be either readily sold or re-exported following further processing in order to earn the country more foreign exchange. Preparations should be actively made to operate a general import-export company that uses a combination of technology and trade, industry and trade, and imports and exports to organize the building of systematic production plants, scientific research and development units, and applications units for the active development of "three forms of import processing and compensation trade," and cooperative production, joint venture businesses, scientific and technical development, and design consulting in the development of an externally oriented economy. Nowadays, numerous countries demand that contracting be accompanied by investment, something difficult for China to do considering its present financial resources; therefore, wide use must be made of international funds, allowing enterprises to make loans for repayment. Also needed is the further strengthening of cooperation with developed countries, obtaining funds and technology from them, while we provide designs, labor services and management in bilateral or multilateral cooperative operations for the common prosperity of international construction markets.

G. Firm Attention to Quality Control To Hasten Technological Progress

Low economic returns and poor product quality from the country's enterprises are two fatal weaknesses. The sacrifice of product quality in the one-sided pursuit of output value and profit is extremely common. Neither design and construction units nor urban construction and machine building industries have effectively reversed the situation of decline in quality. This not only impairs the enterprise's and even the industry's reputation, but also has a direct bearing on the success or failure of reform and China's image. Thus, awareness of quality must be increased among all cadres, staff members and workers, a psychology inculcated of "quality first in projects of vital and lasting importance." Among design and construction units, we must continue to carry forward the effective glorious tradition of "painstaking design and painstaking construction." Construction units and enterprises of all kinds should avail themselves of the opportunity of a retrenchment in capital construction during 1989 and 1990 to give first billing to construction quality. The acceptance rate during the first

inspection preliminary to turnover for large and medium size projects must be better than 95 percent, and all small projects should meet specifications when turned over for use. All construction units should have their credentials examined, those found not in possession of certificates of inspection not being allowed to contract and engage in construction projects. In addition, firm attention must be given to safety in production.

Vigorous development of the construction industry must be founded on scientific and technical progress. Efforts should be made to change ingrained traditional techniques in all trades in the construction system. For those trades not susceptible to or not requiring new techniques, when improving the study of new techniques, new technology, new products, and new materials, vigorous efforts should be made to popularize existing applied techniques, to promote the use of ready-mix cement, and to resolutely eliminate low efficiency, old technologies, old products, and old standards of poor quality.

H. Accelerate Progress in Reform of the Management System To Build and Perfect the Project Construction Supervisory System

Reform of the management system in construction businesses has the followings several general aspects: (1) active promotion of a workable means of calling for and letting tenders; (2) active efforts to separate the managerial level and the operating level in existing large construction enterprises, and to promote "project method" construction, the management level and the operational level thereby being linked in the optimum way on construction projects; (3) formation of a new type construction enterprise possessing multiple contracting capabilities in the development of construction techniques, working drawing design, materials and equipment purchases, and project management; (4) the labor service level should gradually develop into a specialized construction company; (5) a stock share system and a leasing system should be tried out in medium and small state-owned construction enterprises, and in city and town collective construction enterprises for a gradual change from government management to civilian management in the change from state-owned to private enterprise; and, (6) establishment of an engineering consulting and engineering supervisory system to serve principal investors, along with the establishment in the construction management system of a general contracting operating mechanism centering around engineering, and a labor service market system to service all kinds of contracting enterprises. Plans call for emphasis on three matters during 1989: First is the selection of a number of civilian construction projects for "turnkey" style general contracting; second is the selection of a number of civil engineering projects for the general contracting of construction based on the expansion of preliminary designs, using the rational transpositioning of construction drawing designs for the gradual creation of a new type construction enterprise in which scientific research,

designing, procurement, and construction form an integral whole. Third is close attention to pilot projects for a stock share system and a leasing system.

In the area of design management, the following jobs are to be given prominent attention during 1989 and 1990: (1) calling a halt to, and correcting waste from conservatism in design, and the tendency to pursue high standards, devoting attention to the formulation of implementation methods that advance technical progress. (2) improvement of control over design credentials, building a registered architect and registered engineer system in which design personnel in the system of ownership by the whole people are registered after acceptance through testing, only then being able to assume attendant technical responsibilities, and sign and forward formal design documents. Design personnel in the system of collective and individual ownership will receive registration credentials following testing, permitting them to do business; (3) strengthening of design quality control. A and B level design units are to launch a comprehensive quality control campaign. Examination preliminary to acceptance is to be organized in 1989, those doing well being promoted, and those failing to meet specifications being demoted; (4) strengthening of control over design fees. Design units without project design certification, or those that have certification but do not account independently, or that are limited to undertaking work only in their own enterprise may not collect design fees elsewhere; and, (5) formulation of new methods for drawing design fees.

Establishment and perfection of a project construction supervisory system for supervision and monitoring of construction of all kinds of projects, and of procedures in the construction market. This is an indispensable measure for improvement of the level of China's project construction and returns on investment. We hope that after approximately 5 years of effort, plans, policies, and laws and regulations, as well as attendant supervisory organizations, will be established and perfected to form a system for the supervision of construction in China, so that large- and medium-sized industrial and transportation construction projects, and important civilian construction projects can be substantially included within the purview of construction supervision. During 1989 and 1990, mostly the groundwork will be laid and experiences accumulated. Special economic zones, open coastal cities, and the energy, transportation, and light industry and textile ~~are~~ already possess a certain foundation, and ~~ce~~ the pace of their pilot projects.

I. Active Exploration of New Avenues for the Development of China's Village and Small Town Construction

Despite the emphasis that all jurisdictions have placed on village and small town planning during the past several years, the limited depth, the lack of continuity among those concerned with planning and design work,

the failure to make timely readjustments and additions to existing village and small town outline plans, and particularly the lack of a corps of managers for village and small town construction, have led in recent years to the mindless taking over of farmland, resort to coercion and commandism, a large amount of razing and construction, no one to operate public utilities, and serious environmental pollution in some places, which should attract our serious concern. Market towns are places where township and town enterprises congregate, and they are also a bond connecting the city and rural economies. The focus of our village and small town construction work is the planned building of market towns. Today, we have to coordinate with the coastal development strategy, and concentrate forces on market towns that have rapidly developed a commodity economy, doing a good job in operating pilot projects and offering a good example as part of exploring new avenues for village and small town construction. The readjustments that are to be made during 1989 and 1990 will probably not have very great impact on the scope of village and small town construction, which is self-funded. Thus, we should make a major decision to organize planning and designing specialists to go to rural villages to contract work, disseminate techniques, and develop lateral contacts to make a contribution to the building of a new type of distinctive villages and small towns.

J. Bolster Development of Human Talent, Do a Good Job of Cadre Training, and Improve Construction Corps Quality

Market competition inside and outside China is, in essence, competition among construction corps, and competition among human talent. In a fundamental sense, the key to the vigorous development of China's construction industry lies in the emergence of large numbers of talented people, and a rise in the quality of the staff members and workers. Today, a substantial number of talented people are unable to demonstrate their talent for various reasons, including ranking by seniority and status. This means that reform of the cadre personnel system has to continue to deepen. At the same time, large numbers of incumbent staff members lack needed training. The next two years of readjustment offer a good opportunity to remedy this problem. In this regard, it is necessary to plan and accelerate the pace of on-the-job training and specialized certified training, and uphold the principle of assignment to positions following training. Efforts should be directed toward the good operation of colleges, secondary technical schools, and vocational education. Full use should be made of the abundance of teaching resources at institutions of higher education, and the complete facilities available to help solve problems in project construction and the building of cities, and to help train talented people. All conditions should be used to operate various kinds of rotational training classes and short term classes. Learned societies and associations are bridges connecting government

with enterprises. Their leadership should be strengthened and full use made of their role. We believe that the discovery of talent, the training of talent, and the creation of talent during reform is a matter of major importance, a matter having to do with overall success or failure, and a matter that cannot be treated lightly to which leaders at all levels must give serious attention.

K. Take Firm Hold of the Two Civilizations, Vigorously Foster a "Professional Spirit," and Establish a Fine Occupational Ethic

Our professional spirit during the new era may be capsulized as: a firm will to reform, a pioneering spirit of forging ahead, diligent study, an ascending spirit of assiduous study; strict self discipline, a selfless spirit of honesty in the performance of public duties; being earnest and down-to-earth, a concrete spirit of arduous struggle; mutual support, and a cooperative spirit of unified struggle. We hope that every unit, particularly leading cadres, will strive to publicize and foster attention to professional spirit, enrich the after hours cultural life of staff members and workers, and eradicate sentiment. This is a tremendous force giving impetus to construction industry progress. The construction industry serves all industries and the entire people; consequently, it is necessary to encourage and establish an occupational ethic in every industry of quality first, service first, and reputation first. This is the essence of carrying out the aim of serving the people wholeheartedly.

The various irregularities presently existing in the construction system are as incompatible with our occupational ethic as fire and water, and must be unflaggingly struggled against. Our supervisory and auditing corps must work closely with CPC committees and discipline committees at all levels to get rid of such "moral garbage." In the building of spiritual civilization, if we hold fast to "a sense of being masters in our own house," "a professional ethos," and "an occupational ethic," the spiritual appearance and the work status of our construction industry corps will take only an entirely new look, and we will be able to be ever-victorious.

FOREIGN TRADE, INVESTMENT

Taiwan Investments Boost Fujian's Export-Oriented Economy
40060506b Beijing RENMIN RIBAO OVERSEAS
EDITION in Chinese 17 Apr 89 p 5

[Article by Lai Yongcai 6351 3057 1752: "Fujian Actively Attracts Taiwan Chinese Funds—Prospects for Developing Export-Oriented Economy Are Good"]

[Text] Fujian Province has adopted a coastal development strategy and has been actively attracting Taiwan Chinese funds to develop an export-oriented economy. Prospects are good. Fujian's statistics bureau supplied us with the following data recently: last year, Fujian's

import-export trade amounted to \$2.83 billion, \$1.41 billion of which were exports, 66.5 percent more than the previous year; exports by foreign invested enterprises made up \$138 million, 9.7 percent of the province's total exports.

Last year, "three forms of importing and processing and compensatory trade" generated \$35.39 million in industrial fees for the province, 44.3 percent more than the year before. Provincewide, more than 4,460 new contracts have been entered into; this represents an increase of 49.3 percent. More than 100,000 people are employed.

Last year, there were 813 new foreign fund utilization contracts worth \$625 million, an increase of 185.5 percent over the year before. For the year as a whole, actual use of foreign funds topped \$289 million, 96.3 percent more than the previous year.

There have been new breakthroughs in getting Taiwan funds. In 1988, 180 contracts were entered into with Taiwan investors, and the Taiwanese are supplying \$143 million in funds—these represent a 20-fold and 33-fold increase, respectively. Taiwan investments in Fujian are no longer the "individual" and "trial basis" kind of tentative projects. They have developed into more comprehensive projects that involve "whole groups on inspection tours."

Fujian is located on the southeast coast of the motherland, across from Taiwan. It has 3,051 kilometers of coastline, many fine natural harbors and fairly prosperous port cities. Fujian is also the ancestral home of our Taiwan brothers and home of many Overseas Chinese. Close to 8 million Overseas Chinese are either from Fujian or their ancestors were from Fujian. Almost 100,000 Fujians are living in Taiwan, and hundreds of thousands of Taiwanese are descendants of Fujian ancestors. This has provided an advantage for Fujian to develop an externally oriented economy.

In recent years, Fujian has paid special attention to giving reform a dominant role and has integrated reform, opening up, and development, and has given full play to the superiority of the Xiamen SEZ [Special Economic Zone], the Fuzhou Economic and Technological Development Zone, and the Minnan Delta Open Zone in order to spur simultaneous development of the export-oriented economy. In addition, Fujian has restructured the foreign fund system, implemented a bilevel contract system to promote contracting at the enterprise level, and has integrated state and local efforts and mobilized enthusiasm at all levels. The foreign trade departments are taking active steps to adjust the mix of export goods, broaden the source of export products, and reinforce the export production system. All these efforts have contributed significantly to the development of Fujian's export-oriented economy.

ECONOMIC ZONES

Hainan Land Lease Plan for Yangpu Creates 'Storm'

HK0405015389 Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese
No 17, 24 Apr 89 pp 7-9

[Article by Tian Chuan 3944 1557: The "Yangpu Storm"]

[Text] Yangpu is the land of hope in China's Hainan Province. The development of this land has recently stirred up a storm, called the "Yangpu storm."

A Storm Was Stirred Up at the Chinese People's Political Consultative Conference [CPPCC]

On 25 March, a piece of news burst out at the Second Session of the Seventh National Committee of the CPPCC: Representing Zhao Weigong, Zhang Jigao, Yu Xinguang, Cheng Siwei, and Jiusan School's Vice Chairman Chen Mingshao, all of them CPPCC National Committee members, CPPCC National Committee member Zhang Wei made a speech entitled "Some Opinions About Hainan Province Acquiring Foreign Capital To Develop Yangpu Harbor Areas: The Problem of Sovereignty."

Zhang Wei, member of the CPPCC National Committee, said that they were sent to Hainan Province by the CPPCC Work Group for Science and Technology for a 12-day survey trip in January. During the survey, they realized that Hainan Province planned to lease a huge stretch of land in the center of Yangpu to a Japanese enterprise. They thought that this would involve China's sovereignty, and must be considered prudently.

He said that they wholly support the CPC Central Committee's open policy, and agree to the use of foreign capital in China's construction under certain conditions. But when looking at such a low price (2,000 yuan for 1 mu), such a big continuous stretch of land (a lease of 30 square km of land for use to Kumagai Gumi Limited, Hong Kong), and such a long-term "lease of sovereignty" (the use of land is for 70 years), they expressed their disagreement.

Committee member Zhang Wei stated seven reasons:

—The Chinese people have fresh memories of the Qing government ceding land and paying indemnity, and whenever they talked about the history of foreign countries leasing land in China, they treated it as a humiliation. Now, the sudden possibility of new leased land is something the people cannot accept. If this measure is translated into reality, it will surely jeopardize China's sovereignty, and it causes worries.

—Hainan Province is an important military base in southern China, with a vital strategic position.

—China is going to regain sovereignty over Hong Kong and Macao; but Hainan Province is going to lease a big continuous stretch of land to a foreign enterprise, in this way how can the dignity of the Chinese people be maintained? And what are the impacts on and consequences of the reunification of the country?

—Yangpu Harbor will lose its props, and cannot fully develop its functions. The presently planned railway and power station are situated on the land that is going to be leased, and even the infrastructure is being handed to the foreign company for construction and management. The port will become in reality a port by which Japan controls all of Hainan's arteries, and absorbs the wealth of the people in Hainan. How is this port different from Shanghai as a blood-sucking port by which imperialism and capitalists absorbed the wealth of millions of people living in the area of the Chang Jiang before the "July 7th Incident"? Are the leaders of Hainan Province that forgetful of the bloody historical lessons of the Chinese people? They thought that the measure has no common point with the CPC Central Committee's policy of opening to outside world and acquiring foreign capital.

—Judging from the present standard of Hainan's cadres, if the Japanese build polluting industries or set up places polluting the spirit, how can the Chinese side supervise and control them?

—Seventy years after setting up of Japanese factories in the leased area, the production and technology of these factories will enter the declining phase and await elimination. When the lease expires, even though the facilities can be bought by China, they will be useless.

Seventy years means several human generations. They believed that under the correct leadership of the CPC Central Committee and the State Council, and with the cooperation of the people in the whole country, China's economic construction will achieve great development in 20 or 30 years, and Hainan is certainly not excluded. Why does China lack confidence about this calculation? Must Hainan rely on foreign capital for development in the long period of 70 or even 140 years? They thought that development of Hainan's economy must not be taken hastily, and that success must not be expected in just one battle. They believed that by properly carrying through the guiding principles of hard work and self-reliance first, and acquiring foreign capital second, Hainan's situation will certainly change in 10 or 20 years. By then, this precious land in the Chinese people's hands will become one of China's most developed provinces in culture and the economy. Shanghai, by the bid method, leased small pieces of land for rent calculated on by the square meter. For Hainan Province, this method is worth considering.

The six CPPCC National Committee members thought that: "Hainan's proposal will gain real profits in increased economic returns, but will mean the danger of losing the country's sovereignty."

Their speeches were at once seized upon by the sensitive Hong Kong reporters. Hong Kong's TAI KUNG PAO immediately published their words. Macao's SHIMIN RIBAO, based on the report from ZHONGGUO XINWEN SHE, published on 28 March a commentary saying that: "The leasing of Hainan's Yangpu is in no way different from the making of leased territory." Shanghai's JIEFANG RIBAO also published the speech. Hong Kong's SOUTH CHINA MORNING POST commented on 29 March: "While Beijing formulates policies on economic austerity and on recentralization, the coastal regions, including the special economic zones, have become controversial issues for the CPC."

This English-language newspaper in Hong Kong further commented: "The coastal provinces are struggling for a special system for themselves; they have started a quick war of propaganda, publicizing the achievements of the special zones." The article continued: "The cadres in the party and the government who are oriented to central planning think that economic development in the coastal regions should be restricted," and "there are people who object to 'leasing' a portion of land in some areas to foreigners and the plan of opening up to foreigners."

Obviously, the "Yangpu storm" has aroused concern in China and overseas, and it has been linked to China's open policy.

The "Yangpu Model" and Yangpu

It was 19 August last year when the word "Yangpu" first appeared in the newspapers. That afternoon, Liang Xiang, then deputy head of the Hainan Province preparatory group, disclosed at a small function held in the Haikou Hotel: "Hainan will build Yangpu Development Zone according to the model of a 'free port,'" and these were his only words. The next day, RENMIN RIBAO, RENMIN RIBAO HAIWAI BAN, HAINAN RIBAO, and the newspapers in Hong Kong and Macao published this news of less than 500 words.

Thereafter, through the mass media, people continued to learn the news about Yangpu.

Yangpu is situated on a peninsula in the district of Danxian County in the northwest of Hainan Island; it faces Beibu Gulf, and possesses the conditions for becoming a deep water harbor. There are abundant resources of natural gas and oil nearby, and huge salt fields and titanium and placer mines are also near. It is possible for it to be built into an industrial zone with a heavy chemicals industry, salt chemicals industry, and construction materials industry. The total planned area of the Yangpu Economic Development Zone is 100 square km.

The development of Yangpu can be traced back to 1973, 14 years ago. At that time, the Hainan administrative office initiated the building of Yangpu Harbor, and established a planning committee. The people in the

Yangpu area were happy for a while, because they saw in the neighboring area of Beima Jing, an improvement of living standards due to the fact it was the headquarters of Hainan Sea Products Company. But the result of the debates disappointed them. The conclusion was that there were ports like Zhanjiang, Haikou, and Basuo nearby, that the country had limited financial resources and was short of capital, and that there was not much freight to be transported from the island. The planning committee was then dissolved with the approval of the Guangdong provincial government.

Seven years later, China again opened its door to the West. When Lei Yu came to Hainan to take office, he again mentioned the proposal of building Yangpu Harbor. Again, because there was no money, and Lei Yu was dismissed due to the "car issue," the planning work was postponed. From August 1983 through early 1987, there were only discussions about the plans for building Yangpu Harbor.

On 11 February 1987, Zhao Ziyang, Hu Qili, and Tian Jiyun inspected the Yangpu area. Zhao Ziyang said that Yangpu Harbor had good prospects, and must be planned and built well. He told the accompanying Lin Ruo, Guangdong provincial party committee secretary, and Yao Wenxu, Hainan Administrative Region party committee secretary, to take the construction of Yangpu, and proposed his ideas on building it.

Eventually, after repeated discussions, it was decided to let Kumaiga Gumi (Hong Kong) Company Limited, whose headquarters is in Japan, take the lead to introduce foreign capital, and contract development for the whole 30-square-km stretch of land. By comprehensive compensation, the foreign businessmen will "grasp all in their hands" in contracting projects ranging from infrastructural construction like water, power, transportation, and communications, to other industrial items.

According to our information, in the development zone there will be built a power station capable of generating 1,300,000 kilowatts, a chemical factory capable of producing 450,000 tons of ethylene each year, an oil refinery capable of producing 3,000,000 tons of oil each year, a factory capable of producing 50,000 tons of titanium dioxide each year, a factory capable of producing 500,000 tons of urea each year, and a big waterworks. According to the people concerned, they will strive to commission these factories in 3 years, and eventually build Yangpu into a harbor city with Hainan's tropical seashore scenery.

From an analysis of various news, it can be seen that Yangpu Development Zone is purely an economic development zone. What the foreign businessmen have is the indispensable right of self-determination regarding development and management. They do not have political privileges. Foreign investors and foreigners in the development zone must abide by Chinese laws and regulations, and their legal rights in the development

zone are protected by Chinese laws. China will not confiscate foreign assets in the development zone. Yangpu Development Zone basically adopts the management system of "open on the first line, isolated on the second line." The development zone will be supervised by the customs department sent by the state. The provincial government will send the most capable government administration departments to manage public security, border control, foreign affairs, taxation, industry, commerce, and jurisdiction. After the land in the development zone is leased to foreign businessmen, the underground minerals still belong to China. The land developed in the development zone can be transferred, rented, mortgaged, or inherited within the lease period prescribed in the contract. The projects built by the foreign investors in the development zone, such as capital, energy, raw materials, and products markets, can be decided and established by foreign businessmen at their own discretion, provided that such projects do not need balancing in the country. Businesses prohibited by the Chinese Government cannot be established. The import and export of commodities required in the development zone can be handled by the enterprises concerned. Other than tobacco, wine, finished oil, and a few commodities, imported materials are free of product taxes and multiplication taxes. The enterprises in the zone can seek and hire adult employees at their own discretion. The overall plan for Yangpu Development Zone must first be approved by the Hainan provincial government before it can be implemented.

Therefore it can be seen that the so-called "Yangpu model" means that China decides on matters relating to sovereignty, whereas foreign businessmen have the right of self-determination in running their businesses and the right of management. These are almost all the contents of the "Yangpu model," which has been called "new leased territory" and "new national humiliation."

Xu Shijie and Liang Xiang Offered an Explanation in the Capital

In July 1987, the Chinese Government announced establishment of Hainan Province, implementation of a big special zone, and carrying out more flexible, open, and preferential policies compared to those carried out in other special zones. In other words, it is more special than a special zone. All at once, inside and outside China the "Hainan craze" was stirred up. People wanted to see in Hainan Island the new breakthrough in China's open policy.

The CPC Central Committee and the State Council set for Hainan an explicit guiding principle for development. When talking about Hainan's development, the leaders of the CPC Central Committee pointed out that Hainan can first concentrate on a few places when introducing foreign capital. If efforts are diverted here and there, nothing can be accomplished. The State

Council's document stipulated that Hainan must consider its reality, and search for its own way of development, and must not blindly follow the models of other areas. It should first start from the coastal regions, develop two or three places, and develop whole stretches of land one after another. When one place is developed, the harvest is there. The development must avoid hasty spreading out. The document also pointed out that foreign capital should be used eagerly in Hainan's economic construction, and that Hainan should in particular absorb Hong Kong and Macao capital.

The "Yangpu model" thus had its birth.

The "Yangpu model" caused a big storm in Beijing. The designers of the "Yangpu model," Xu Shijie and Liang Xiang, tried to offer an explanation at the press conference of the 2d Plenary Session of the 7th National People's Congress [NPC], but they missed the chance.

However, on the afternoon of 30 March, Xu Shijie eventually had an interview with reporters from Hong Kong's WEN WEI PO. He said that to let foreign businessmen develop 30 square km of Yangpu Development Zone for 70 years cannot be regarded as letting them build up colonies or betraying our sovereignty. This is because the ownership of land is still in China's hands, and China will have a series of laws and regulations for supervision. He said that the old perspective should not be used to look at the problem. To introduce foreign capital into Hainan, and speed up economic construction are policies granted by the central authorities. Yangpu's measures are a new attempt to rely on foreign capital for economic development. Yangpu's border control, harbor, customs, and public security are under the supervision of the Hainan provincial government, and any investor must obey China's laws, which include prohibition of pollution-producing businesses. How can Yangpu be regarded as a "colony" or "leased territory"?

Governor Liang Xiang, who served as the leader of the coordinating team for Yangpu development, said, in the Beijing Dongfang Hotel while he was staying there, that Hainan has abundant natural resources but weak economic strength, with backward infrastructural facilities. The experts estimated that in the next 15 years, Hainan must invest 200 billion yuan to perfect infrastructural facilities like energy, communications, roads, ports, and water supply. This huge amount of capital cannot be raised by the Chinese Government or Hainan Province. The Chinese Government proposed the guiding principle of "introducing foreign capital as the key" when Hainan started implementation of the big special zone. Therefore, the "Yangpu model" has not contradicted the guiding spirit of the development strategy decided by the NPC and the State Council.

Xu Shijie said further: "First, investors in Yangpu Development Zone must obey Chinese laws; second,

Hainan Province is solely responsible for matters belonging to national sovereignty and government functions; and third, for the introduction of projects, there will be regulations defining which are encouraged, restricted, and prohibited."

Liang Xiang explained the "low land price." The Yangpu areas are barren lands, not suitable for agriculture. The price for using it cannot be compared to the land price of developed Zhuhai City. It is sensible to exchange low land price for high investment and high returns on the surface. He said that the land prices of Shenzhen's Xiangmi Hu, Shekou Industrial Zone, and the Golf Course during the initial phase of construction were lower than that of Yangpu.

Concerning the problem of the right to use the land for 70 years, Liang Xiang said that this period has not exceeded the period stipulated by the State Council, which issued the "Regulations on Encouragement for Investment in Hainan Island" on 4 May 1988. The document said: "The Hainan Provincial Government can lease the right of using the country's land to investors for profit, and each time the contract can last for a maximum of 70 years. When the contract expires, it can be renewed."

People in Hainan Said So

When Xu Shijie and Liang Xiang tried to explain Yangpu in the capital, the "Yangpu storm" landed on Hainan, and the people in Hainan aired their views.

Zhang Siping, national expert and deputy director of Hainan Province Social and Economic Research Center, said: "According to Shenzhen's experience, infrastructural construction for one square km requires investment of 120 to 150 million yuan. The best method is to let foreign businessmen contract whole stretches of land, and construct the infrastructural facilities to attract foreign capital. Some places in Thailand implemented the 'seven openings and one leveling' without asking money for land in order to attract foreign capital. How about Hainan? Two thousand yuan for a mu of land with nothing but cactus. Will foreigners come easily?"

Cai Bin, the responsible person for Thailand Zheng Da Group's Hainan office, said: "Judging from Hainan's present strength, it is difficult to implement overall development there, but it can be done by developing it stretch by stretch. At present, foreign investors come to fight a lone battle; they develop one or two projects, but cannot stretch out their hands and arms, therefore they face big risks. If foreign financial groups are allowed to contract whole stretches of land, and are granted some preferential policies, they will be better able to carry out development according to their own management methods. Of course, international financial groups come to invest for the sake of earning money. But it must be judged how the money is earned. The government will not allow removal of all the resources from the area. If

they develop infrastructural facilities and establish factories, in the long-term, they can only take some profits, but the land still belongs to China, and cannot be taken away." Cao Xianrong, associate professor at Hainan University Economics Institute, said: "Hainan is big, and the only way is to let people contract some selected key areas, and let these areas become rich first; this is more realistic."

The Storm Has Basically Subsided

Liang Xiang returned from Beijing, and had an interview with reporters in his office. He naturally talked about the "Yangpu storm," but in a relaxed manner. He said, some committee members rejected the "Yangpu model" during the CPPCC session, and that was legitimate. People are allowed to talk and air different opinions. The past bid for offshore oil drilling also involved discussions of sovereignty, and the department concerned carried out much work in clarification and explanation. When it was clarified, the problem was solved. When a new thing appears, many people do not understand, and when an explanation is given, it is understood.

The Chinese people suffered very much from different powers' oppression. When they deal with "foreigners" they will easily think of previous humiliations in history. When Shenzhen Special Economic Zone was first implemented, a certain major newspaper published an article entitled "The Origin of the Leased Territory." The article said that the then Shanghai governor negligently contracted some infrastructural projects like roads in certain places in Shanghai to the British Public Works Department. Consequently, those places became "leased territories." The meaning of the article is very clear.

However, when the country's door once again opened after closing for 30 years, some people inevitably had worries, and this is not strange. Perhaps no one has the same worry about Shenzhen now.

It can be certain that Yangpu will be the same. After 2 or 3 years, the present worries will be overcome in the course of practice.

Xu Shijie and Liang Xiang returned from Beijing with the soothing news that Hainan's open policy, economic development strategy, and preferential policy will not change. Yangpu Development Zone will adopt the measure of central planning, whole-stretch developing, and stage-by-stage implementation. It will launch the preparatory work.

At the same time, the decisionmakers in Beijing passed a message to Hainan: The "Yangpu storm" has subsided.

LABOR

Township Enterprises Meet Financial Challenge 40060594 Beijing JINGJI CANKAO in Chinese 16 Apr 89 p 2

[Article by staff reporter Li Wenru 2621 2429 5423 and intern Wang Ping 3769 1627: "The Banner of Township Enterprises Will Not Go Down—A Visit With Ma Jiesan, Department Chief of Township Enterprises Department, Ministry of Agriculture"]

[Text] Township enterprises have faced a serious challenge ever since we have had to improve the economic environment and rectify the economic order. Some people, including a portion of township entrepreneurs, have asked the question, "How long can the banner of township enterprises remain flying?" For this reason, the reporters paid a visit to Ma Jiesan [7456 2638 0005], the Director of the Bureau of Township Enterprise Management, Ministry of Agriculture.

"Township enterprises have come across great difficulties. But the situation is not as grave as hearsay would have it or some people would imagine it to be." Mr Ma said this straight out to ease our fears. He then gave us his analysis: This year the major problems facing township enterprises, as well as national enterprises, are the tightening of funds, rising cost of raw materials, and shortage of energy. But compared to large-scale state-owned enterprises, township enterprises have the advantage of being more flexible in their style of management—it is easier to turn a smaller boat around. As far as funds are concerned, if the bank halts a payment, a big enterprise will have a real problem. But a township enterprise can flexibly transfer and assemble capital through various channels. Besides, the ability of township enterprises to survive and adapt has in recent years been tremendously strengthened by toughening-up in the market. The majority of enterprises, especially those who have started out with a stronger foundation and better management, should be able to overcome the crisis. Two years ago, 170,000 enterprises failed, compared to only 40,000 last year.

"But the situation this year is quite different than previously," he said. "We have heard that some provincial and city administrations, in order to support national enterprises, are going to close down 25-30 percent of the township enterprises."

Ma Jiesan pointed out that during the recent overhaul of our economy, we have had to close down some enterprises that were poorly managed, or those that manufactured unmarketable products. The speed of development of township enterprises will have to slow down. It is clear that there has been a cooling-off period. For instance, in January this year the output value of township enterprises increased 24 percent, as opposed to 44 percent during the same period in 1987, and 58 percent in 1988.

There are people who hold township enterprises responsible for all the problems that have cropped up during recent economic development. They think that restoring the economy depends mainly on suppressing township enterprises. Their viewpoint is slanted, and their solution inappropriate.

Ma Jiesan told the reporter that the gross output value of township enterprises has now reached a total of 600 billion yuan since the days when they began in the 50's and 60's. These enterprises have become important pillars in our rural economy and a major source of our national finance. It is evident to everyone that township enterprises contribute to the raising of our vast rural area from poverty to riches and promote the development of a rural commodity economy. If 800 million peasants cannot rise above poverty and be better off, then it is difficult to imagine how the whole country will ascend to a comfortable level of income. As to the argument that township enterprises compete with state-owned enterprises for capital, raw materials, and energy, we should look at individual facts and analyze them objectively.

Mr Ma said, "One-third of the output value of the 600 billion yuan provided by township enterprises nationwide came from commerce, service industry, construction, and transportation. The rest of the output value was provided by industries, 60 percent of which were food processing, light textiles, handicrafts, building materials, and mining. Last year, township enterprises earned more than \$6 billion in foreign exchange—\$1 billion came from the export of handicrafts. Township enterprises provide half of the national handicraft exports. In the machine industry, the major function of township enterprise is cooperation with national enterprises in processing, assembling, and manufacturing spare parts. The amount of energy used by township enterprises is equal to only half of the energy they produce. Therefore, cutting down township enterprises in the name of protecting national enterprises may not be an effective solution to the problem of scarcity of energy and raw materials. Just imagine that if 25-30 percent of the township enterprises in the country were to close down, there would be at least 15 million unemployed workers. If this unemployed troop flows towards our cities, it would have a major impact; this is not to mention the effect of the shutdown would have on economic development."

The reporter followed with the question, "How is our government going to help township enterprises overcome this crisis?"

He replied, "First, we must strengthen the backbone of our enterprises. We must follow through with the policy of reserving 60 percent of the after-tax profit for the enterprises. (Right now we can only keep 20 percent.) Secondly, we have to work on doubling our growth and doubling our savings. Many township enterprises were started by people who were industrious and frugal. We must rekindle their hardworking, pioneering spirit.

Thirdly, we should advise our township enterprises on how to make adjustments in the industrial structure and product mix, and follow our national policy on industry and market demand. Township enterprises should continue to take the initiative in producing things that state-owned enterprises are reluctant to make but are desperately needed in other industries or in people's daily life. Fourthly, we should elevate the quality of township enterprises and make practical plans to train our cadres, so that they can be better qualified. The Ministry of Agriculture has established a cadre administration institute for township enterprises in Langfang, Hebei, and a training center in Dongba, Beijing. The main purpose of these institutions is to train administrative cadres at the county and provincial level to have a macroscopic viewpoint in decision-making. Individual cities and provinces establish training centers to prepare managerial staff for enterprises. Enterprises should spend funds reserved for education in training their employees. In order to guarantee the quality of our products, the administration of township enterprises has established quality control stations at different places. In order to promote technology, the National Planning Commission, Science Commission, Education Commission, and the Ministry of Agriculture together are implementing a policy that will upgrade our technology."

PRC MEDIA ON FOREIGN ECONOMIES

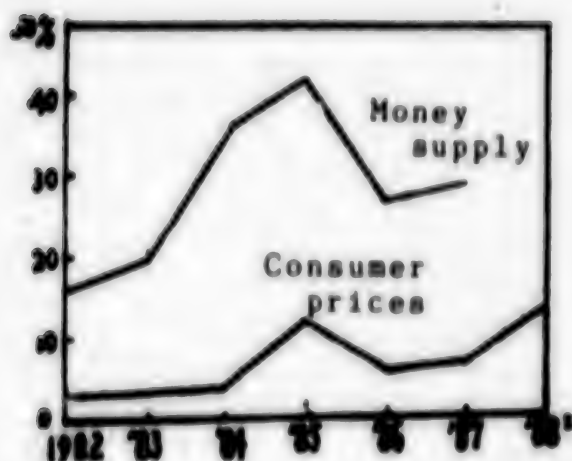
Learning About Inflation From Yugoslavia
40060415 Beijing JIAGE LILUN YU SHIJIAN
[THEORY AND PRACTICE OF PRICING] in Chinese
No 1, 20 Jan 89 pp 37-38, 36

[Article by Xu Dianqing 1776 3329 1987: "Inspiration for China's Economic Reform From Yugoslavia's Inflation"]

[Text] Yugoslavia is one of the earliest socialist countries to have practiced economic reform. It is worthwhile for China to study many of its successful experiences. However, we must also learn from the runaway inflation of recent years in Yugoslavia.

According to statistical data from the China State Statistical Bureau and international financial organizations, the relationship between the level of pricing and the money supply in China is as indicated by the graph.

It is obvious that there is a close relationship between money supply and price levels. From 1983 to 1984, China's money supply rose rapidly. Thereafter, price levels in China hit their first peak. From 1985 to 1986, China adopted an economic retrenchment policy and the money supply increase rate fell from 40 percent to 28 percent. The increase rate in consumer prices fell from 10.2 percent to 7.8 percent. After 1987, there was another rapid decline in China's money supply. In 1987, the currency increase rate was more than 40 percent. In the first half of 1988, the net money supply was 8.86



billion yuan; by the end of July, it surpassed 10 billion yuan. I would like to analyze the severity of this situation by making a comparison of some economic data between China and Yugoslavia.

The table indicates the increase rates for consumer prices and the money supply:

Year	Yugoslavia		China	
	ΔP%	ΔM%	ΔP%	ΔM%
1978	4.2	23	2.6	26
1979	5.3	19	2.8	29
1980	7.0	23	5.98	14
1981	10.2	26	2.3	11
1982	13.3	26	3.1	15
1983	18.6	20	4.2	20
1984	28.6	43	4.8	35
1985	51.8	46	13.0	42
1986	100.0	109	7.1	28
1987	125.9	-	9.5	32

From the data in the table, one can discover that inflation rates and money supply increase rates, whether for Yugoslavia or China, show an entirely and purely interrelated relationship. This also proves a cardinal economic trade equation.

Inflation rate = money supply increase rate minus production growth rate minus the rate of change in the speed of circulation.

China is undergoing a transition from a natural economy to a commodity economy. The demand for money increases year by year, while the speed of money supply circulation slows year by year. From 1978 to 1985, the circulation rate fell progressively from an annual 8-9 percent. In the past year, China's economic growth rate was generally around 10 percent. Considered globally, such an economic growth rate is not at all low. If China's

money supply growth rate stays under 20 percent in this economic environment, it will not lead to runaway inflation. As indicated by the data in the table, after 1984, the money supply increase rate was far higher than 20 percent. This meant that a huge volume of currency flooded the market, creating enormous pressure for inflation in the next term. There is a staggered relationship between money supply and inflation; too large a money supply will not immediately trigger higher price levels. The situation varies from country to country, as does the length of the stagnation period. However, it is not at all unusual for price levels to naturally peak in line with a peak in money supply.

Let us reanalyze the economic data for Yugoslavia. After the money supply increase rate rose to 25 percent in 1978, it stayed at this level for five years. However, the price increase rate increased progressively year by year, from 4.3 percent in 1978 to 13.3 percent in 1982. Around 1983, the Yugoslavian government adopted a retrenchment policy. It strove to control inflation but it was hard to roll back the crisis. In 1984, the speed of currency issuance in Yugoslavia abruptly doubled, from 20.1 percent, to 43.1 percent. In 1985, money issuance continued to rise to 46.5 percent. In 1986, the country's economic situation rapidly worsened. In the four quarters of the year, the money supply increase rates were 58.2 percent, 76.7 percent, 96.3 percent, and 109.1 percent, respectively. In 1987, the money supply increase rate stayed at a high level of 107.7 percent. Price levels likewise rose out of control: 18.6 percent in 1983, 28.2 percent in 1984, 51.8 percent in 1985, 100 percent in 1986, and 151 percent in the first quarter of 1987.

Although there are many differences between the Chinese and Yugoslavian economies, still, they are comparable on many points. The situation at present in China and 6 years ago in Yugoslavia are basically similar (price levels rose 15-20 percent, with money supply increase rates around 40 percent). Although we cannot simply and arbitrarily infer that China will definitely fall into the same rut as Yugoslavia, still, we can learn several beneficial lessons from Yugoslavia's example.

1. A high money supply increase rate is quite dangerous. From 1978 to 1983, Yugoslavia maintained an approximately 20 percent money supply increase rate. Prices rose year by year, meaning a greater demand for money. Although many economists noted the dangers of this route, temporary economic prosperity hid the potential danger. Since the start of the 1980's, Yugoslavia has also adopted certain measures in an attempt to stabilize prices. However, it did not adopt decisive measures due to an over-emphasis on economic growth rates. A large volume of money continued to flood the market, resulting in the "avalanche" phenomenon around 1986.

For 5 years in a row, China's money supply growth rate has been higher than 30 percent and the volume of money circulating in the market has reached a frightening amount, factors which are influencing the people's

expectations for future inflation. We dare not categorically assert that there will definitely be a price "avalanche" in China similar to that in Yugoslavia. And we cannot predict with certainty when the disaster will occur. However, we can affirm that if we continue to maintain such high money supply growth rates, then the outbreak of runaway inflation will not be far off.

2. Utilization of administrative orders can lower the speed of price rises in the short-term, but it cannot eliminate the basic causes of rampant higher prices. It is just like building a dike to prevent a flood; it compounds the issue and may put even greater pressure on the future. Under the traditional planning system, administrative orders were effective. However, in line with changes in this system, they are no longer necessarily effective. Even though the state has made repeated injunctions for shrinking the scale of construction, still more than 10,000 projects were to begin between January and August. As for trying to restrict consumption and economizing on administrative expenses, it is still worth studying to see how actually effective they will be. We should fundamentally study how to improve China's economic system, research the rules of movement for the supply and demand of money in China's market, adopt decisive measures to lower the money supply increase rate, and open effective channels for dispersing overly high circulating funds. Simple use of administrative means to control price rises, not to mention how big their supervisory costs are, means that the effect of supervision will also become an issue. As time passes, there is only one way to prevent a collapse: We must continuously enhance administrative controls, even going so far as ultimately having overall military control. The price of this method is enormous. Although prices can be controlled, it is at the cost of market mechanisms and return to an ossified planned economic system.

3. Yugoslavia's economic system reform was even deeper than China's. A majority of its enterprises now practice collective shareholding. They have relatively great autonomy. When prices rise, they can raise commodity prices correspondingly. In order to make up for losses, they can likewise raise the wages of the workers. Yugoslavia has a greater ability to tolerate inflation than China. However, it still had social unrest under the assault of runaway inflation. Earlier, some more than 50,000 workers took to the streets of Belgrade.

We cannot simply and independently discuss the ability of the Chinese people to tolerate higher prices. How can we blame some people (e.g., teachers, students, etc.) for complaining about the daily lowering of their standard of living in the wake of higher prices? If we treat inflation lightly, then to stop China's economic reform halfway is not just an exaggeration to scare people.

AGRICULTURE

Outlook for Country's Timber Market 40060404 Beijing ZHONGGUO LINYE (FORESTRY IN CHINA) in Chinese No 2, 17 Feb 89 p 11

[Article by Jiang Jian 1203 0236: "A Look Back on and the Outlook for China's Timber Market"]

[Text] Since the Central Committee decided to improve the economic environment and rectify economic order, it is now hoped that our timber market will take a new turn for the better. But our timber management will undoubtedly be faced with sharper market competition in 1989. In order to keep everyone thoroughly informed about our timber market changes, I am offering a look back on and the outlook for China's timber market.

After China's southern timber-producing areas began carrying out Central Committee Document No 20 in 1988, unplanned exporting of timber out of our southern provinces was strictly controlled, buyers from marketing areas in all provinces poured into the forests to compete to buy timber, timber prices increased, a situation of demand being greater than supply appeared on our southern timber market, and the incentives increased to raise timber prices in timber-producing areas. But unrestricted price increases also had unexpected repercussions in production and marketing areas. Prices collapsed and operations became inefficient in marketing areas, customers left production areas to look for other sources of supply, and there was major concern about overstocking in production areas because customers had decreased. This change caused a "cold war" in which all southern production and marketing areas refused to budge, with prices remaining high in production areas while buyers in marketing areas waited and watched. With the end of 1988 approaching, the double pressures of market shortages and empty stocks forced marketing areas to take a new look at the situation. Even though timber prices were still increasing by the fourth quarter of 1988 in timber-producing provinces, such as Sichuan and Yunnan, there were still hints that marketing areas intended to buy large amounts of timber. Sichuan Province finally enacted protective procurement prices for non-allocated timber and maximum restricted selling prices in production areas, stipulating that they go into effect on 20 November 1988. Sichuan Province set the protective procurement prices for non-allocated timber and the restricted selling prices in producing areas (including water transport lumber yards in producing areas). Municipal, prefectural, and autonomous prefectural price and forestry departments set the restricted selling prices in marketing areas (including water transport lumber yards in marketing areas) according to the restricted selling prices in producing areas plus actual freight, miscellaneous expenses, and gross profit margins of not more than 15 percent for fir and dragon spruce and 18 percent for railroad ties. State-owned forests also used these prices for their private and water-transport timber sales after fulfilling state plans. Restricted prices

were allowed to increase not more than 5 percent or decrease without limit according to supply and demand. These price control measures that were put into effect in Sichuan Province undoubtedly helped marketing areas in all provinces to buy timber in Sichuan. The disastrous earthquakes in Yunnan Province slowed its transfer of timber to other areas somewhat, but the many trains that delivered goods and materials for disaster relief to Yunnan helped to improve the situation when they left. There are recent indications that tension in the timber market in the Guangxi Zhuang Autonomous Region is easing. Except for varieties, such as large-diameter China fir, which are in short supply and great demand, supply and demand conflicts for most varieties have been alleviated and there has also been some easing of the sharp sales tension in the pine wood market. In Guizhou Province, timber prices have been too high, contracts have not been filled, and a recent severe shortage of trains have affected the transfer of timber to other localities. Guizhou now has 33.4 percent more timber in stock than a year ago in March 1988 and its reserves of old and small lumber urgently need to be sold in other areas.

The changes in eastern China's timber market are the barometer of our domestic timber market changes. In the first half of 1988, the east China area concentrated on importing timber and acquired ample supplies. The three provinces and municipalities of Shanghai, Jiangsu, and Shandong alone imported 2,668,900 cu m, or 80.2 percent more timber than in the first half of 1987. These large timber imports curbed price increases somewhat and also played an important role in easing the pressure on all southern timber-producing provinces. But in the fourth quarter of 1988, a gradual planned decrease in timber imports to our ports was started, foreign exchange rates began to rise steadily, and shortages of imported timber began to appear and timber prices began to rise in the east China area. For example, the price of Douglas fir that had been stabilized at 730-750 yuan a cu m, increased to more than 800 yuan a cu m in the fourth quarter of 1988. This increase spread very quickly to all provinces in central and south-central China and brought with it increased demand and higher prices for imported timber on our domestic market. For instance, imported Chilean pine was still being sold on the Hubei timber market in the third quarter of 1988 at a price of about 630 yuan a cu m, but it was in short supply and great demand in the fourth quarter and its price increased to 700-720 yuan per cubic meter. This shows that timber supply and demand in the east China area has a very distinct effect on the south. The outlook for imported timber in 1989 is worse than in 1988. The State Timber Ordering Commission has revealed that China ordered 1,910,000 cu m of imported timber at the beginning of 1989, 1 million cu m of which was for local imports. Imports of U.S. pine have stopped completely, quite a lot of Soviet Union pine has been rerouted through agents to localities, and the percentage of foreign exchange earned from imports by localities in 1989 will increase greatly. But foreign exchange is now being

tightly controlled, quotas are limited, enterprises are having trouble raising fixed amounts of regulated foreign exchange and thus, are having trouble operating successfully. Thus, it is predicted that the outlook will not be very bright for imported timber on our domestic market in 1989.

China's northern timber market was affected by the changes in our southern timber market during all of 1988. But since it was restricted by railway transport capacity and state macroeconomic policy in 1988, it was generally better off. Heilongjiang Province's forestry industry planned to sell 2,893,000 cu m of non-allocated timber in 1988. But due to railway transport problems, it sold only 1,130,000 cu m, or only 43.9 percent of its annual plan, in the first half of 1988, and its lumber yards had over 1.8 million cu m of extra lumber in storage and urgently waiting to be sold to other areas. Northern timber prices had previously been deregulated and had increased because of the great influx of southern consumers. But before long, the State Price Bureau sent a message to the Heilongjiang Forest Industries General Bureau and Price Bureau to correct their previous method of deregulated management and arbitrary price-setting for forestry industry enterprise's non-allocated and beyond-plan timber, thus, controlling the trend of continuous timber price increases. Heilongjiang's forestry industry enterprises are now still setting their prices for non-allocated timber according to the principle that the price is not to exceed 1985's actual average price. Specific price guidelines have been set, with the maximum increase not to exceed 40 percent and no limit on decreases. A major factor slowing transport of timber from the northeast to other areas is the shortage of railway transport capacity and trains. There have not yet been any signs of improvement in northeast railway transportation since the fourth quarter of 1988. Railway departments are rushing to ensure the transport of feed grain, urgent necessities, and allocated timber to fulfil plans and have stopped transporting or sending trains for all above-quota goods, materials, or timber. In addition, the north is in its frozen season when operations are difficult and it will be unable to transport much timber in 1989. The Ministry of Railways recently sent out an urgent notice ordering a strict halt to unhealthy tendencies, such as profiteering or covert use of trains for profiteering, and measures such as setting up a system of collective examination and approval for above-quota train needs. The only hope for easing the problem of above-quota train movement in 1989 will be to take forceful steps to resolve these unhealthy tendencies and carry out these measures. Otherwise, there will be market supply shortages in southern marketing areas in 1989.

Article Analyzes Sugar Shortage
HK0905100989 Beijing RENMIN RIBAO
in Chinese 25 Apr 89 p 5

[Article by staff reporter Li Qian 2621 5409: "Why Sugar Is in Short Supply"—first paragraph is RENMIN RIBAO introduction]

[Text] Sugar in our country has been changed from an unrationed supply to a rationed supply. This is not due to a drop in general supply but is mainly due to an

increase in demand. Sugar resources are abundant in our country and its potential is great. The thing is that its irrational price relations have chilled the enthusiasm of peasants and workers of sugar refineries in production and, that import of too much sugar has affected the development of our sugar industry.

Paper, salt, and sugar are also termed the "three whites." The supply of these three things became scarce in 1988. In particular, the supply of sugar became more scarce, whereas before that time, sugar was available without restriction. However, in 1988 sugar suddenly was rationed in cities and its supply was even shut off in some rural areas.

The Sugar Shortage Is Not Due to a Drop in General Supply

Is it because a drop in the general supply of sugar caused an unrationed supply of sugar to a rationed supply in 1988? No, it is not. In the 10 years from 1977 to 1986, the sugar output and supply got a continuous increase. During the period, the sugar output increased from 2.08 million tons to 5.20 million tons, a rise of 153 percent. In 1988 our country saw a drop in sugar production and, thus, imported 3.30 million tons, but it consumed a total of more than 7.80 million tons. In terms of gross sugar output, China has been included among the world's six largest sugar producers. Nevertheless, the sugar supply in our country can hardly meet ever-increasing demand because of the growing population, improvement in the people's living standards, and the rising consumption of sugar in food, beverages, pastry, candy, and canned foods.

Our country is, as a matter of fact, very rich in sugar resources, teeming with sugar cane in the south and abounding in sugar beets in the north. Meanwhile, there are also 12 provinces in the country that are well known for sugar production with the help of at least 500 sugar refineries. It can thus be said that the productive potential of sugar in our country is great. In terms of abundant sugar resources and its great productive potential, our country should not have found it difficult to satisfy the need of every household in sugar consumption, then why is there such a strain on sugar supply?

Irrational Price Parity and Less Benefit to Peasants and Sugar Refineries Have Dampened the Enthusiasm of Sugar Producers

Sugar production in our country has been expanded during the past few years, but it has, generally speaking, failed to develop at a fast pace. One of the major reasons rests in irrational price relations. In sugar cane-growing areas, a dan of sugar cane is cheaper than a dan of wheat straw or a dan of rice straw. In northern parts of our country, the costs of sugar beet growing incurred in the form of labor force and raw materials in sugar production are considerably higher than that of other crops like corn, but its economic returns are lower than those crops. A survey by the People's Construction Bank of

China demonstrates that the cost of growing a ton of sugar beets is 30.7 percent higher than planting a ton of corn, freight charges are 750 percent higher, but the profit is 27 percent lower. As a result, the area sown to sugar crops was reduced for many years running. The area sown to sugar crops and output both increased a little in 1988 after the state readjusted the purchasing price of sugar crops, but many sugar refineries were still underfed. According to a survey conducted by the departments concerned, merely 68 percent of capacity of more than 500 sugar refineries throughout the country is now utilized. Directors of some sugar refineries have poured out their woes, saying that their factories supply sugar cane growers every year with seeds, chemical fertilizer, and pesticide, and give them technical service, plus a large amount of manpower and funds. In doing so, they only pin their hopes on obtaining more sugar crops and operating their factories at full capacity, but things go contrary to their wishes. The raw materials they supply to sugar cane growers are often bought at a high price by collective and small sugar refineries. In addition to a power shortage and the rising price of electricity, sugar refineries are suffering ever-increasing losses. The price ratios between sugar and other nonstaple foods for many years in the past stood as a kilo of sugar being equivalent to a kilo of meat or a dozen eggs. Over the past few years the prices of meat and eggs have been readjusted many times but the price of sugar has remained unchanged for the past 24 years. In 1988 the price of sugar was slightly readjusted, but it did not benefit sugar refineries much. Now state-run sugar refineries lose about 400 yuan from producing a ton of sugar.

Small Sugar Refineries Affect Large Ones, and Imported Sugar Affects Homemade Sugar

The existence of dual prices—the government-fixed prices and high prices—has provoked a war of contending for sugar cane between the collective and small sugar refineries built one after another in sugar cane growing areas, and large state-run sugar refineries. In Neijiang City, Sichuan Province, which is considered the largest sugar industrial base in the southwest of our country, 47 small sugar refineries were built throughout the city in 1987, and the figure rose to 67 in 1988. These small sugar refineries are waging a war of contention for sugar cane against six large local sugar refineries. The small sugar refineries have advanced gradually and entrenched themselves at every step, but the large ones have kept on retreating and half their equipment is allowed to lie idle. They watched helplessly as bundles of sugar cane for producing brown sugar were shipped to those small sugar refineries, although their product quality is poor. This has caused a sharp drop in the sugar output of Neijiang City, a city that used to ship out refined sugar has now import it.

What particularly worries people is that there has been a startling increase in the amount of sugar imported by our country over the past few years. Statistics show that China's annual average import of sugar stood at 120,000

tons in the 1950's, accounting for 17 percent of the national total sugar output; it came to 630,000 tons in the 1960's; and it rose to 1.73 million tons in the first 5 years of the 1980's, making it 46 percent of output. However, the figure soared to 3.3 million tons, amounting to 76 percent of the national total output, costing nearly \$900 million. And there is something strange about the issue. The state expends a large amount of money to import sugar every year, but it has no money to support development of sugar production and the technological transformation of sugar refineries. As a matter of fact, this has created something unusual—only selling eggs but no raising of hens.

At present both per unit area yield of sugar crops and the sugar content of sugar crops of our country are very low. This has become a major factor restricting development of the sugar industry. According to figures compiled by the departments concerned, growing a ton of sugar cane in this country requires 2.6 mu of farmland, and a ton of sugar beets requires 8.3 mu of farmland. But advanced countries in the world need merely 1.7 mu and 3 mu of farmland, respectively. If per unit area yield and the sugar content of sugar crops of our country can reach the level of advanced countries, the sugar output of country may double even when no increase in the area sown to sugar crops is urged. Over the past few years encouraging progress has been made in this field of scientific research, but many high-yield varieties and research achievements have not been able to be widely spread for lack of funds. Experts suggest that the state strictly control and gradually reduce the amount of imported sugar and use the money for importing sugar to support development of the sugar industry in order to increase the proportion of homemade sugar step by step.

Stabilizing of Fertilizer Market in Northeast
40060573d Beijing JINGJI CANKAO in Chinese
18 Apr 89 p 2

[Article by Fan Xiangqun 5400 0686 5028 and Zhang Guangyuan 1728 1639 6678: "Fertilizer Market Going From Chaotic to Orderly"]

[Text] After specialized management was initiated for chemical fertilizer it attracted the interest of various circles of society. All the new reports and street gossip has resulted in lively discussions with no consensus of opinion. Some people believe that this is a "return" to the old system, some people say that "management isn't specialized," and there are still many people who hold a skeptical wait-and-see attitude. Recently this reporter conducted a survey in the provinces of Heilongjiang, Jilin, and Liaoning and obtained the following impressions: The trend in buying and selling chemical fertilizer, which had been basically blocked and in a situation of having confused wholesale, random supply, and arbitrary price hikes, has now been fundamentally turned

around. Although specialized management has not lived up to expectations in some areas, looking at the overall situation the chemical fertilizer market of early spring is fairly stable.

In the past years during the period of preparing for spring plowing this reporter went into the countryside to visit hard-to-reach county and township leaders, but when asking to see them found most were out dealing for chemical fertilizer. Some people estimate that the number of people from these three provinces not purchasing fertilizer was as high as several thousand. This year the situation has changed; although the three provinces permit cadres from counties, townships, and villages to go out and purchase chemical fertilizer, not many have gone. The reasons for the reduction of personnel out purchasing chemical fertilizer are: First, departments that are not specially managed have basically withdrawn from the chemical fertilizer market. Second, after specialized management, outside agreements for fertilizer materials were reduced, making it more difficult to purchase. Third, materials distributed through farm supply companies increased, which reduced the shortage of supplies.

It has been learned that provinces, municipalities, and counties have all kept some reserve fertilizer for use in natural disasters and in times of severe shortages. In the past, the majority of this fertilizer was sold through leaders who did with it as they pleased, with a portion going on the black market into the hands of "profiteers." This year the provincial government of Jilin cut the amount of this fertilizer by half, reducing last year's amount of 73,800 tons to 36,400 tons.

A deputy director of the Jilin Supply and Marketing Cooperative told this reporter that by 7 March, neither the provincial government or the cooperative had acted on a request. A few years ago some people would make requests through leaders and rely on friends to find "backdoor fertilizer" for the purpose of getting advantageous prices. After specialized management, combined prices were put into effect for chemical fertilizer, and no benefit could be derived by getting an advantageous price. As a result, many people lost interest in "fertilizer order." Naturally there were still many who asked for handouts of "fertilizer orders." How the cooperatives are to resolve this malpractice is a question that must be studied and answered after specialized management is instituted.

The links in circulation have been reduced and arbitrary price hikes controlled. After specialized management was instituted in key farm supplies and merchandise, Liaoning, Jilin, and Heilongjiang provinces conducted a rectification of their farm supply markets. Individuals and units that don't have specialized management were withdrawn from management. Except for farm supply companies the supply and marketing cooperatives stopped managing internal companies. The adjustment work for various areas that are excessively short on

chemical fertilizer is primarily conducted in the specially managed units. The circulation situation in Liaoning Province after specialized management consisted of one channel (the supply and marketing cooperative), two wholesalers (province and county), one retail sales, and two (production and retail sale) price setters. At the present time there are still arguments from concerned areas as to whether or not provincial farm supply companies (some areas also have municipal farm supply companies) should perform only the function of planned distribution and not be involved in management links. However, specialized management of chemical fertilizer has changed the situation where multiple parties had a hand in management and where there were many links in the adjustment process which has enabled peasants to avoid the effects of layers and layers adding on to the price. This is a fact generally acknowledged.

Many people were worried that after specialized management, the sources of chemical fertilizer would dry up and not meet the needs of agriculture production. This reporter's survey of the situation in three northeast provinces showed that the specialized management units were actively organizing sources of materials and the amounts of material that had already been arranged for was impressive. The three provinces have sufficient base fertilizer for spring plowing needs but have some shortages in top dressing. However, the amount of fertilizer to be supplied for the year will not be less than last year. As of the end of February the amount of chemical fertilizer that Jilin had in storage and in the hands of peasants totalled 1.84 million (standard) tons; this is an increase of .32 million tons compared to the same time last year. Heilongjiang needs 1.5 million tons of fertilizer for its spring plowing, as of the first 10 days of March it had already acquired 1.58 million tons and the rate of transporting the fertilizer was also faster than former years.

This reporter paid special attention to the reflections of peasants and cadre concerning specialized management. The aim of these key measures is to protect the interests of the peasants and spur on their enthusiasm for production. For areas where rural cadre and peasants don't have universal praise for these, where there are many with cautious attitudes, and the original practice of "fertilizer orders" have not been completely stopped, the price of fertilizer tends to be higher. Some areas, due to lack of funds or policies not being instituted, have supplies that do not arrive on time, plus because of the short period that specialized management has been in force, its full effect has not yet been felt, causing people to feel that it is not very effective.

Heavier Burdens on Anhui Peasants

40060485a Beijing NONGMIN RIBAO in Chinese
20 Mar 89 p 4

[Article by Liu Guoguang 0491 0948 0342 of the Anhui Provincial Agricultural Survey Team: "Per Capita Burden Increased on Anhui Peasants"]

[Text] According to a sample survey by a concerned department on 3,100 peasant households in 31 counties of Anhui Province, the per capita burden of peasant

households in Anhui was 23.19 yuan in 1988, up 27.4 percent from 18.20 yuan in 1987. The increase was much smaller than the 40.8 percent rise in 1987 over 1986. However, the proportion of the per capita burden in the peasant's net income increased from 4.2 percent in 1987 to 4.8 percent in 1988.

Distribution of burdens among peasants is inequitable as shown in the following two main aspects:

First, the more land one tills, the greater one's burden becomes. At present, the distribution of burdens among peasants throughout Anhui is based mainly on the size of the contract land or on the number of family members. The former is obviously unreasonable, as growing grain crops pays relatively less nowadays. The inequity is made worse by the decreasing portion of agriculture's contribution to a peasant household's income, which will further dampen the peasants' enthusiasm for growing grain.

Second, the higher the income, the lower the burden. In 1988, the per capita net income of Anhui peasants in four income brackets—under 200 yuan, 200-500 yuan, 500-1,000 yuan, and over 1,000 yuan—is 17.68 yuan, 21.44 yuan, 25.43 yuan, and 41.59 yuan respectively. The per capita burden was 11.2 percent, 6.0 percent, 4.0 percent, and 3.2 percent respectively of the net income of the four brackets. The burden was lower for those in higher income brackets, which is unreasonable.

To reduce the burdens for the peasants, it is first of all necessary to encourage the peasants to put more into the land, increase yield, and vigorously develop secondary and tertiary industries to insure absolute increases in their net income. Next it is necessary to make sure that burdens are distributed reasonably on the basis of income, lower burdens for lower incomes and higher burdens for higher incomes. At the same time, arbitrary demands for money must be stopped to eliminate burdens which should not be borne by the peasants.

Possible Drop for Hebei's Pig, Chicken Production

40060575b Shijiazhuang HEBEI RIBAO in Chinese 9
Apr 89 p 1

[Article by Du Hongmei 2629 4767 2734 and Yang Jinzhi 2799 6855 2655: "Hidden Danger of Pig and Chicken Production Dropping—The Provincial Government Has Already Taken Steps To Safeguard Production and Stabilize the Market"]

[Text] Looking at the present situation, Hebei's pig and chicken production has not yet experienced a large fluctuation but there is a hidden danger of it dropping; therefore we must not treat this lightly. This is the conclusion that concerned departments came to after conducting a survey on the pig and chicken production situation of 14 areas and municipalities.

Because corn prices are 43.3 percent higher than they were the same time a year ago, pig and chicken feed has also been raised by 48 percent and 36 percent respectively. The price of piglets and the purchasing price of porkers have fallen by 24 percent and 6 percent compared to the same time last year. The cost ratio of pigs to grain and chickens to feed has fallen from the original 1:8.3 and 1:6.9 to 1:5.8 and 1:4.5 respectively. This has led to some major pig- and chicken-raising specialized households, which rely on this feed, to experience a marked decrease in income. According to letters from a few specialized households the original income obtained from one big porker has fallen from 100 yuan to 50 yuan and the amount of profit received from raising one egg-laying hen has dropped from 16 yuan to 5 yuan. This major reduction of benefits has to a certain extent affected the enthusiasm of some specialized households for raising pigs and chickens. According to the survey, by February of this year there were 30,000 specialized households raising pigs provincewide, these households are raising 600,000 head of pigs for the market, and there were 270,000 specialized households raising chickens which are raising 11.44 million chickens. The above figures in comparison to last year showed declines of 40 percent, 50 percent, 10 percent, and 21.7 percent respectively. Especially worth noting is that Hebei's cold storage for pork is virtually full and with the busy period for purchasing porkers approaching and faced with slumping sales plus the unequal porker production of areas means that a difficulty in selling pigs may occur in individual areas.

This signal has already attracted the attention of leaders at all levels. The provincial government recently decided to adopt measures to stabilize the production of pigs and chickens: Get a handle on the construction of 43 commodity pig base counties and implement various measures to support the development of pig raising to strengthen the development of porkers; take 40 million caddies of feed grain to support non-base counties in development of hog breeding and exchange purchase of porkers and to support chicken farms and households that raise chickens; state-operated commerce departments are to actively put into effect a guaranteed minimum purchasing price for porkers of about 3.6 yuan per kg to ensure that peasants don't suffer large losses in economic benefits; and maintain measures that link production operations. Commodity pig base counties that do not fulfill porker purchasing plans for which they sign contracts will have their feed grain proportionately reduced or have their preferential treatment as base counties cancelled. The key question at the present time is how these good policies and measures can be relayed as quickly as possible from the upper circles to thousands upon thousands of families and households in a down-to-earth manner.

Jiangsu Experiencing Rice Shortages

40060575c Nanjing XINHUA RIBAO in Chinese
10 Apr 89 p 1

[Article by Huang Bingsheng 7806 4426 3932: "A Look at Why There Is a Reduction of Rice Supplies—The Basic Reason Is That the Area of Rice Fields Is Shrinking and Insufficient Amounts of Rice Are Being Purchased"]

[Text] Since 1 March the urban residents of Nanjing have been limited in the purchase of rice. Prior to this, the cities of Wuxi, Nantong, Zhenjiang, Changzhou,

Suzhou, Yangzhou, Lianyungang, and Xuzhou had already readjusted the supply ratio of grain rations for their residents. After this readjustment, rice consumption by city residents was limited and consumption of husked rice was reduced. This prompted people to ask, since Jiangsu has maintained a 1,000 jin per capita average in grain production for 5 straight years, why is the supply of rice, and especially husked rice, becoming tighter each year? This reporter took these questions to the agricultural and grain departments of the province and of Nanjing.

In 1988 Jiangsu's total output of grain was 32.4 billion kg and had a per capita average of 504 kg. Rice accounted for over half of this amount, with a per capita average of 252 kg, based on calculations with 70 percent of rice producers showing a 180 kg per capita average. According to this, the province can basically guarantee a 0.5 jin quantity of rice to each person daily. But in actuality the distribution in urban and rural areas is not equal; the amount of rice going to residents of cities and towns is less. Looking at the situation in purchases and sales of rice for Jiangsu last year, the fixed amount of grain purchases for the state were basically completed, but of the 3.1 billion kg of rice specified in contracts to be purchased, only 2.7 billion kg have been received. However, the amount of wheat purchased has been proportionately larger. Under this situation of rice purchases declining, we have to "eat next year's food," causing the amount of stored rice to be reduced each year. It is especially difficult for Nantong and Nanjing, which have traditionally had to bring in rice, to get the rice they need; and even harder to bring in round-grained nonglutinous rice, because cities are practicing a grain production, purchasing, and selling responsibility system which puts more responsibility on the people. Because of this we must adopt the methods of "using vouchers and receipts, keeping on the spot records, and limiting supplies."

Looking at production, in the 1980's the area planted in rice has been reduced by 4 million mu. Although the rice per mu yield has increased from 300 kg to 450 kg, the population has also increased by about 5.9 million, causing the supply of rice to still be very tight. In addition, with the two rice-producing areas in the south, Guangzhou and Yunnan, experiencing a slump in their grain production, the nationwide grain shortage is pounding at Jiangsu.

Round-grained nonglutinous rice that urban residents are fond of accounts for only one-third of the area planted in rice in our province. The per mu yield of round-grain nonglutinous rice is 50 to 100 jin lower than that of hybrid rice, but the per jin purchase price of round-grained rice is only 2 fen higher than hybrid rice. The principle of higher prices for better quality has not been realized; therefore, a big discrepancy exists in the price of round-grained rice and long-grained rice on the grain and oil market. Due to this, except for round-grained rice planted for their personal use, peasants

would rather plant more higher yielding hybrid long-grained rice. In order to maintain a "1,000 jin per capita" level, our province plans to change a portion of round-grained rice fields to hybrid rice in order to raise the overall yield. This is one thing that has caused a shortage of rice in cities.

Grain production and marketing departments of the province and municipalities feel that just by saving areas not relax their grain production the grain needs for urban and rural people can be guaranteed and the various reasonable subsidies for grain will not be a problem. At the present time areas throughout the province are adopting measures to ensure there is 36 million mu of land planted in rice and to return to having 40 million mu of land planted in rice by developing the Huang-Huai-Hai region and gradually switching over to growing rice. Furthermore, they are striving to realize a per mu yield of 500 kg within 2 to 3 years and meet an overall yield goal of 20 billion kg which will gradually relax the tight situation of rice supply.

Sichuan Pig Producers Concerned About Lack of Feed, Storage Space

40060575a Beijing RENMIN RIBAO in Chinese
18 Apr 89 p 2

[Article: "Sichuan Pig Raising Facing Another Crisis—Inability To Ship in Grain, Not Being Able To Transport Pork Out—Possibility of a Slump in Output Arising"]

[Text] According to a market report, the inability to ship in grain purchased from outside the province and not being

able to transport Sichuan pork out of the province has resulted in the Sichuan pig-raising industry facing another crisis.

Currently the amount of pork stored in Sichuan has reached 120,000 tons, which is greater than the heavy storage periods last year in July and August. The period when the number of live pigs is greatest is approaching; when this time arrives, storage space will need to be increased by 100,000 tons. During the second quarter of the year, the Ministry of Commerce plan calls for only 38,000 tons of pork to be shipped out of Sichuan. In this case, the amount of pork stored in Sichuan will total 182,000 tons but the capacity limit of frozen storage for the entire province is only 140,000 tons, which falls far short of being able to store all the pork. Purchasers who don't have frozen storage for their pork will not dare buy any more and at this time it will become difficult to sell pigs. A comrade from the Provincial Foodstuff Company said that last year during the live pig-purchasing periods of the third and fourth quarters, many areas didn't honor their commitments due to the difficulty in purchasing grain, and made no orders due to a lack of funds. If they stop purchasing this year, how will it affect the peasants?

During the fourth quarter of last year, the price of grain on the market increased and there was a shortage of fodder, in response to this the provincial government dispatched a delegation headed by the vice governor to the Beijing area for the purpose of purchasing corn. At this late time they placed orders for 600 million caddies of corn but the amount shipped in has been less than 50 million caddies so far. This has led to the price of corn on the Sichuan market staying high for a long period.

Outline of Major Educational Goals, Plans for 1989
40030496 Beijing ZHONGGUO JIAOYU BAO in
Chinese 25 Mar 89 p 3

[Article: "Focal Points (Summary) of Work of the State Educational Commission in 1989"]

[Text] 1989 will be an extremely important year in the course of development of China's educational undertakings. In this year, the CPC Central Committee and the State Council will continue to study several major issues concerning educational development and reform. During economic rectification and improvement, the state has set forth principles to guarantee education. Through the efforts of all fields, the strategic position of education will be further secured in national construction and development. However, because the entire national construction faces the situation of rectification and improvement and because many problems and difficulties still exist within the educational department, this year's work will also be very arduous. Because of this, we must continue to liberate our thinking, pull ourselves together, enhance confidence and sense of responsibility, and strive to do a good job in 1989.

Work principles for 1989 are to conscientiously implement the guidelines of the 13th National Party Congress, the Third Plenary Session of the 11th CPC Central Committee, the Second Plenum of the Seventh National People's Congress, and the directives of the CPC Central Committee and the State Council concerning educational work; to unify understanding and strive to get support of all fields for education; to create a good environment to educate people and establish a new educational order; and to accelerate the educational reform and development, continuously improve the quality of education and the efficiency of school administration, coordinate the development of education of all categories, and render better service to socialist construction.

Focal points of work in 1989 are:

1. Intensify public opinions and propaganda on education and organize well extensive discussions on several major issues concerning educational development and reform.

2. Study concrete measures for opening up the avenues of educational funds, find better solutions to the problems caused by the shortage of educational funds, and improve conditions for school management. We should hold on-the-spot meetings to publicize Shangdong's experience in raising educational funds and improving conditions for school management. In the next 2 years, provinces and municipalities should basically solve the problem of dilapidated elementary and middle school buildings. Seriously dilapidated buildings must be eliminated within this year.

3. Implement concrete policy stipulations concerning raising teachers' salary, which has been decided by the state, and carry out evaluation twice a year. We should work out a plan for the reform of the wage system of elementary and middle school teachers and make proposals to the State Council. Through investigation and study, we should put forward a concrete policy to systematically solve the problem of teachers working at schools run by local people and encourage all localities to guarantee the salary of teachers working at such schools. We should organize well activities for Teacher's Day and commend a large number of teachers.

4. Organize well a group of pilot units to carry out comprehensive educational reform so as to provide useful experience to accelerate the coordinated development of education of all categories at all levels and to deepen the reform.

5. Gradually establish a new educational order. In order to achieve marked results, we should first resolve the following problems: elementary and middle school dropouts, indiscriminate collection of fees by schools, above-plan enrollment by regular schools of higher education, and poor management of schools.

6. Conscientiously implement the spirit of "the Circular of the CPC Central Committee on Reform and Strengthening the Moral Education of Elementary and Middle Schools" and earnestly improve the party, ideological, and political work of institutions of higher education.

7. The State Educational Commission should fulfill the task of organizational reform, vigorously reduce the number of meetings and documents, change the functions and work style of its organizations, and strengthen its leadership and macroeconomic management of educational work.

I. Improving Educational Environment and Deepening the Reform

A. Improve Educational Environment

1. Exercise macroeconomic control over the development scale of the undertakings of higher education. The total number of regular institutions of higher education in principle should not be increased this year, and the scale of enrollment should remain at the level of last year's plan. We should study and compile "Opinions on Strengthening the Macroeconomic Management of the Enrollment Plan of Regular Institutions of Higher Education" and resolutely stop the above-plan enrollment of regular institutions of higher education through planning, administrative, and other regulatory means and by changing the appropriation method. We should seriously deal with the issue of serious above-plan enrollment in regular institutions of higher education in 1988. The maximum development scale and the short-term scale of regular institutions of higher education should be double checked and rectified, and enrollment should be

arranged based on the newly checked and rectified short-term scale. We should put forward "Opinions on the Appropriation Method of Reform Funds," gradually implement the method of "fixed basic expenses and contracted annual increases," exercise macroeconomic control over the establishment of school staff, and carry out on a trial basis the method of wage bill contract.

2. Promote the readjustment, consolidation, and integration of departments concerned, local adult schools of higher education, and adult secondary vocational schools. Adult schools of higher education should pay attention to training people oriented toward township enterprises. We should control the number of enrollment of degree-oriented education, properly raise the passing standards of unified examination, and strictly control the number of enrollment among current high school graduates.

3. Carry out, in accordance with the guidelines of the "Circular on Several Questions Concerning Schools Run by Social Forces," all-round clean-up and rectification of "institutes" and "universities" which set up branches and "school administration offices" in other provinces and municipalities. This effort should focus on Beijing Municipality with the coordination of the Beijing Municipal Government. We should investigate and study the issue of universities run by local people and put forward management measures.

4. Issue regulations concerning the ban of commercial activities carried out by elementary and middle school teachers and students on the school ground and of indiscriminate collection of fees by schools. We should also investigate to see if such regulations are implemented.

5. Formulate detailed rules for regular institutions of higher education to carry out activities of social service, strengthen guidance over such activities, and enable them to get on the road of sound development. We should help qualified schools of higher education to establish or develop step by step school-run or jointly-run industries.

6. Draw up guidance documents to help solve the dropout problem of the compulsory education period and urge all localities to strictly control the loss of students. This year, we should strive to keep the dropout rate at the general level of an average year. We should coordinate with the departments concerned to carry out investigation and supervision of all localities to check on their implementation of the "Circular on Strictly Forbidding the Use of Child Labor." We should see to it that there is a law enforcement department to enforce the educational law.

7. Formulate regulations of principles for strengthening the management of college campus and improving school disciplines and establish the responsibility system

under which responsible departments examine, supervise, and accelerate school work. We should vigorously rectify school order, strengthen security work, and achieve a marked improvement in school disciplines this year.

8. Readjust the orientation of capital construction investment in regular institutions of higher education to create a relatively relaxed educational environment. We suggest that beginning this year departments in charge use an appropriate and concentrated amount of school capital construction investments to alleviate the overloaded situation of some schools. Institutions of higher education should use capital construction investment first for the repair and building of student dormitories and faculty housing facilities and strive to basically change the situation of school housing shortage within 5 years.

9. Put forward opinions to guide the construction plan of school equipment and facilities from 1989 to 1995 and to improve the equipment and material supply system of educational departments; emphasize and ensure that schools are equipped with basic teaching equipment and instruments; and draw up an overall reform plan for the production, development, and supply system of teaching instrument.

B. Deepen the Educational Reform

1. Promote the experiment of comprehensive urban educational reform in pilot units and obtain experiences through pilot units in regard to raising educational funds for urban education and how the school management system and education serve local economic construction and social development. The State Educational Commission will coordinate with concerned provinces, autonomous regions, municipalities, and departments to make a success of pilot units in Shashi, Wuxi, Shenyang cities and an enterprise group. We should coordinate with the departments concerned to ensure that a group of large and medium-sized enterprises carry out experiment on vocational and technical education and on-the-job training.

2. Continue to carry out in depth experiment on comprehensive rural educational reform. On the basis of existing three experimental districts, the State Educational Commission should coordinate with all provinces, autonomous regions, and municipalities to establish local experimental districts and strive to establish experimental districts in 100 counties throughout the nation within this year.

3. Guide and assist concerned provinces, autonomous regions, and municipalities in drawing up detailed measures and plans for the implementation of the "prairie plan." We should supervise, examine, and urge localities to fulfill this year's norm in the model township construction plan; organize provinces, autonomous regions, and municipalities to do a good job in examining,

approving, and carrying out production projects of the "prairie plan" and in the work of loan issuance; and strive to make some of the projects yield preliminary results.

4. Sponsor jointly with the State Nationalities Commission a minority education work conference to study issues on the development and reform of education of all categories and at all levels with emphasis on enforcing a 9-year compulsory education in minority areas.

5. Vigorously promote the comprehensive reform of institutions of higher education in pilot units. Not only the State Educational Commission should keep in touch with several institutions of higher education which are selected as pilot units, but all localities and all departments and committees, which have direct control over institutions of higher education, should also pay attention to the comprehensive reform of institutions of higher education in one or two pilot schools.

6. Continue to do a good job in the reform of the college enrollment and the college graduate assignment systems and mete out rules and regulations for the enrollment and management of students who pay their own tuition and expenses. We should popularize the method used by Shanghai Municipality to reform the subjects of college entrance examination on the basis of the reform of unified high school entrance examination and try to make several more provinces and municipalities adopt this method on a trial basis within this year. We should sum up and popularize experiences gained in hiring graduates through public channels and continue to carry out on a trial basis and within a definite scope the method of dual-direction selective employment. We should urge society through propaganda to pay attention to and employ people majored in basic disciplines.

7. Study and draw up measures for comprehensive universities and other institutes and colleges to train middle school teachers and teachers for vocational and technical schools and carry out experiments in pilot units. We should put forward concrete opinions to urge regional normal schools and educational colleges to integrate and merge.

C. Strengthen Ideological, Moral, and Political Education

1. Under the guidance of the theory and the line of the 13th National Party Congress, institutions of higher education should make a success of relevant celebration activities concerning the 40th anniversary of PRC's founding and the 70th anniversary of the "May 4th" movement.

2. Implement the "Circular of the CPC Central Committee on Reforming and Strengthening the Moral Education of Elementary and Middle Schools" and guide provinces, autonomous regions, and municipalities in working out rules and regulations for the implementation of this circular. We should organize people to

enforce on a trial basis the standards for the everyday conduct of elementary and middle school students and map out concrete measures for the evaluation of behavior and conduct. We should compile and write teaching materials for ideological, moral, and political classes in accordance with the age characteristics of elementary and middle school students and study and mete out a basic system and requirements for conducting patriotic education among elementary and middle school students. We should make a list of required outside readings for students in every grade, coordinate with the departments concerned to work out some measures for social cultural facilities to provide free service to elementary and middle school students, and study a trial plan to encourage elementary and middle school students to wear student uniforms.

3. Intensify the current affairs and policy education of institutions of higher learning, further improve the public and social science and theory classes of institutions of higher learning, and vigorously organize students to participate in social practices.

4. Make full use of the forces of the research ranks of social sciences in institutions of higher learning and organize a group of experts and scholars to conduct research and discussion on major theoretical and practical issues which interest youth and students.

5. Strengthen the ideological and political work of teachers' ranks, study and revise measures for the evaluation of teachers' performance, and encourage the broad masses of teachers to impart knowledge and educate people. We should carry out activities to commend outstanding teachers during the period of Teacher's Day to establish a group of advanced models for imparting knowledge and educating people.

6. Urge the leading party group of the State Educational Commission to implement the guidelines of the National Party Members' Educational Work Conference; strengthen the building of school party organizations; conscientiously study ways to develop the function of party organizations as nucleus and the role of party members as vanguard and model; and sum up and popularize advanced experiences in this regard.

II. Work in Different Educational Spheres and Relevant Professions

A. Basic Education

1. Vigorously promote compulsory education. On the basis of clarifying guiding ideology, we should urge provinces, autonomous regions, and municipalities to revise plans for enforcing the 9-year compulsory education and establish the objective responsibility system for local governments at all levels to enforce compulsory education.

2. Further strengthen the labor education of elementary and middle schools and urge all localities to vigorously create conditions to enable elementary and middle schools to open labor classes, labor and technology classes, and organize social practices according to teaching plans. We should also urge localities to compile and write relevant teaching materials and establish as soon as possible labor bases inside and outside schools.

3. Adopt measures to speed up experiment on the "3-4 system" of elementary and middle schools and select counties, mid-size cities, and several schools with varied features as pilot units to carry out the experiment.

4. Further clarify the nature, task, and objectives of regular high schools and revise teaching programs. We should study the layout and professional planning of regular high schools and put forward opinions to further improve a group of regular high schools which have higher standards.

5. Put forward guidance opinions for the responsibility system of elementary and middle school principals and urge all localities to expand the scope of pilot work of principal responsibility system. We should study and set forth the job requirements of elementary and middle school principals, map out training plans, and encourage all localities to carry out on-the-job training. Where conditions permit, the wage bill contract system should be carried out on a trial basis to encourage the rational combination of teachers. Efforts should be made to explore the reform of the management system of urban elementary and middle schools and to sum up and popularize the experiences of community education committees in mobilizing social forces to participate in and support school education.

6. Perfect the elementary and middle school teacher certification system, commend a group of well-managed secondary normal schools, and accelerate the reform of secondary normal school education.

7. Study the issue of diversified teaching materials under the condition of localized basic education, implement plans to compile and write teaching materials for the 9-year compulsory education, and do a good job in compiling and experimenting with teaching materials with varied features.

8. Implement the guidelines of the National Preschool Education Work Conference and commend a group of cities and counties which relied on social forces for the development of preschool educational undertakings.

9. Check on the progress of all localities in implementing the guidelines of the National Special Education Work Conference and in drawing up development plans for special education undertakings.

10. Check on the progress of elementary and middle schools in implementing the "Seventh 5-Year Plan" for the work-study program and work out a development plan for the work-study program in the 1989-95 period. We should encourage all localities to implement in accordance with their local conditions relevant policies and opinions on further supporting and developing the work-study program and the program to establish joint inter-school industries.

11. Further strengthen supervision and guidance work, draw up documents concerning the establishment of educational supervision and guidance system, and submit them to the State Council for examination and approval. We should encourage provinces, autonomous regions, and municipalities to vigorously establish and perfect educational supervision and guidance organizations and hire a group of people to reinforce them. The State Educational Commission is planning to give several provinces, autonomous regions, and municipalities some supervision and guidance on enforcing compulsory education and correcting the tendency of overemphasizing the proportion of students going to high schools or colleges.

B. Vocational and Technical Education

1. Put forward opinions on the development and reform of vocational and technical education, study the issue of educational diversification after high school, and start to study pilot plans for advanced vocational schools that train technicians.

2. Mete out administrative standards for vocational and technical schools of all categories, assess existing vocational and technical schools in groups and by stages to see if they are acceptable, and gradually build a group of standard vocational and technical schools.

3. Coordinate with the State Planning Commission and the Ministry of Labor and Personnel in exploring the reform of the management system of vocational and technical education and experiment with unified policy and overall arrangement for the enrollment and graduate assignment of secondary vocational, technical, and vocational high schools in cities which have been selected as pilot units to carry out the comprehensive educational reform.

4. Put forward "Opinions on Enrollment and Graduate Assignment System in the Reform." This year we will expand directional and inter-department enrollment, focus on solving such problems as serving diversified economic elements and rural areas, and select several provinces and municipalities to carry out pilot work.

5. Map out a pilot plan for the "dual system," under which technicians are jointly trained by enterprises and schools, and begin implementing it in 6 pilot cities—Shenyang, Wuxi, Shashi, Suzhou, Changzhou, and Wuhu.

6. Work out a plan to improve the teaching materials of vocational and technical education and mete out management rules and regulations. This year we should organize people to compile and screen teaching materials for six courses commonly taught at vocational middle schools, compile and translate some foreign teaching materials, and put forward "Opinions on How to Find Teachers for Secondary Vocational and Technical Schools."

C. Regular Higher Education

1. Rectify, readjust, and consolidate regular institutions of higher education which have failed to meet the standards prescribed in the "Provisional Rules and Regulations on the Establishment of Regular Institutions of Higher Education." We should study and decide on a plan for provinces, autonomous regions, and municipalities to readjust substandard regular institutions of higher education. This year these schools should in principle stop or reduce enrollment. We should plan to adopt various forms to organize a group of experienced leading cadres, professors, and associate professors in old schools to help run new schools. Through such support from counterpart schools and other relevant measures, we should try to help some of the substandard schools reach, within this year, standards concerning major management conditions.

2. Further improve the internal discipline structure of higher education, gradually develop applied sciences, which are in great demand, and selectively reduce and readjust the scale of basic disciplines in accordance with different circumstances. At the same time, we should study concrete measures to protect basic disciplines. We should also convene work conferences respectively on science and liberal arts education to put forward opinions on above issues.

3. Sponsor professional education work conference to put forward "Opinions on Strengthening Professional Higher Education," formulate documents on basic professional education, and organize people to compile and write professional teaching materials.

4. Put forward "Opinions on Opening and Readjusting Regular Courses in Regular Institutions of Higher Education," further reduce the number of specialties, expand the openings of specialized fields, and increase the adaptability of specialized personnel.

5. Coordinate with the departments concerned to study the question of how the higher education of agriculture, forestry, and medicine can meet the needs of economic construction and social development in rural areas; put forward concrete reform opinions; and establish corresponding inter-department coordinating organs.

6. Organize pilot units to train graduate students working toward master's degrees in 3 practical disciplines including, political, judicial, financial, and economic

studies; further develop pilot units to train graduate students working toward master's degrees in engineering-type disciplines; and perfect the system to train graduate students working toward doctor's degrees in clinical medicine. We should sum up and use experiences in the mid-term graduate student screening and selecting system and draw up measures for the management of graduate students academic records. We should work out a system for graduate students to work concurrently as assistant professors, assistant researchers, and assistant managers and carry it out in a few graduate schools selected as pilot units. We should also draw up some measures for the management of major disciplines in institutions of higher education.

7. Do a good job in granting different awards for outstanding teaching achievements in institutions of higher education. We should coordinate with the Ministry of Agriculture and the Ministry of Forestry to commend teachers of agricultural and forestry colleges who have made outstanding achievements in supporting agriculture, helping the poor, and rendering service to agricultural and forestry production. Specialized normal schools with outstanding achievements should also be commended.

8. Urge qualified institutions of higher education to form a group of enterprises with high and new technologies which combine technology with industry and trade to strengthen scientific and technological development and the commercialization of research results. We should help plan and build one to two S&T industrial districts or S&T development and experiment centers. We should deploy and carry out a group of major basic research and hightech development projects that are advanced at home or of international standards and put forward suggestions on key projects to be included in the "Eighth 5-Year Plan" of the state. We should hold a national S&T work conference of institutions of higher education to make overall arrangements for the development of advanced science and technology and for basic and practical researches; do a good job in the construction plan for major discipline development projects which are financed with loans from the World Bank and mete out rules and regulations for open management of laboratories; and set forth relevant principles, policies, and measures for the development of industries run by institutions of higher education and draw up the first draft of "temporary measures for the management of industries run by institutions of higher education." The State Educational Commission should establish an academic consultative committee for social sciences.

9. Do a good job in examining and deciding which unit has the authority to give out degrees to the fourth group of graduate students.

10. Study and put forward guidance opinions on teaching material improvement plans for institutions of higher education in the "Eighth 5-Year Plan" period and prepare to build a document information and data center for institutions of higher education.

D. Adult Education

1. Coordinate with departments concerned including the State Commission for the Reform of Economic Structure and the Ministry of Labor and Personnel to formulate "Temporary Provisions on Carrying out On-the-Job Training," put forward "Opinions on Urging All Trades and Professions To Quickly Work out Standards for Jobs of All Categories," submit them to the State Council for approval, and try them out first in 2-3 industries selected as pilot units.

2. Urge provinces, autonomous regions, and municipalities to make annual anti-illiteracy plans, establish an examination and acceptance system, reach the goal of helping 4 million illiterate people become literate this year, and organize people to compile and write new anti-illiteracy and post-illiteracy teaching materials.

3. Put forward "Several Opinions on the Reform of Enrollment Work in Secondary Adult Vocational Schools" and vigorously promote experiments with the integrated credit system and the single-course accumulative system in pilot units.

4. Complete drawing up supplementary documents for "Temporary Provisions on the Self-Study Examination of Higher Education," mete out measures for setting up and managing the service of self-study examinations of higher education, and make rational plans to readjust the structure of disciplines covered by such examinations to overcome blindness in this field.

5. Do a good job in the educational programs of two satellite TV channels and assist, guide, and check on all localities in formulating satellite TV network construction plan and annual enforcement plan. We should draw up a plan to readjust the structure of broadcast and TV education programs, put forward opinions on promoting communication between broadcast and TV education and school audio-visual education programs, and study and draw up measures for the job evaluation of teachers engaged in long-distance teaching.

E. School Physical, Health, and Art Education

1. Draw up detailed rules and regulations and implementation plans for "Provisions on School Physical Education" and "Provisions on School Health Education" and work out measures for examination and acceptance.

2. Enforce in schools the revised version of "State Physical Education Standards," study and draw up physical qualification standards for college students, and coordinate with the State Physical Education Commission to put forward opinions and measures to further improve the management of traditional physical training schools. We should mete out outlines for the health

education of elementary and middle schools and conduct experiment on combining physical education with health education during the period of the 9-year compulsory education.

3. Formulate and promulgate "student physical condition and health monitoring enforcement plan" and establish a system to monitor student physical condition.

4. Promulgate the "Unified National Plan for the Art Education of Schools" and urge all localities to work out enforcement plans.

5. Hold a national work conference on art education to study and arrange for the national reform of art education in regular schools as well as in advanced normal schools and set forth measures to speed up the training of art teachers needed for basic education.

6. Mete out a 5-year plan for the scientific research of art education and compile subject guidebooks.

F. International Educational Cooperation and Students Studying Abroad

1. See to it that bilateral educational cooperation and aid projects set for 1989 between us and international organizations are carried out, strive to get more new educational cooperation projects, and do a good job in work concerning loans issued by the World Bank for vocational and technical education and projects on major fields of study.

2. Reform the method of selection for students studying abroad at state expense, organize and establish a committee for the fundation of overseas students, improve the measure of management for students studying overseas with expenses paid by their units or themselves, improve overseas students service center, and make proper job arrangements for returned overseas students.

3. Improve the measures of enrollment for foreign students in China, perfect the rules and regulations for the management of foreign students in China, and prepare to establish a foreign student scholarship committee.

4. Draw up measures for the management of teachers teaching overseas and provisions concerning the qualifications of Chinese language teachers working overseas.

G. Legal Construction of Education

1. Submit the "Draft of the General Provisions of the Educational Law of the PRC" (pre-screening draft).

2. Submit the "Draft of the Law of the PRC on Teachers" (pre-screening draft) and participate in the formulation of the draft of the "Law of the PRC on Juvenile Protection" (pre-screening draft).

3. Submit to the State Council the "Detailed Rules and Regulations for the Implementation of the Law of the PRC on Compulsory Education" for approval and promulgation.

4. Complete preliminary investigation and research on the "Draft of the Law of the PRC on Vocational and Technical Education" and furnish the first draft.

5. Draft administrative rules and regulations such as "Rules and Procedures for Kindergarten Work," "Regulations on Special Education," "National Regulations on Elementary and Middle School Work-Study Programs," "Regulations on Graduate Students," "Temporary Provisions on Opening Regular Courses in Regular Institutions of Higher Education," "Temporary Provisions on the Evaluation of Regular Institutions of Higher Education," "Regulations on Teachers' Titles in Institutions of Higher Education," "Procedures for Awarding Outstanding Teachers," and "Regulations on Student Grants, Financial Aids, and Rewards."

6. Formulate "Temporary Rules and Procedures for Drafting and Formulating the Rules and Regulations of the State Educational Commission" and "Measures for the State Educational Commission To Issue Administrative Rules and Regulations," perfect the legislative system of the State Educational Commission, and standardize the work of drafting, formulating, filing, and promulgating the rules and regulations of the State Educational Commission.

7. Complete screening educational provisions issued since the founding of the PRC and compile the "Collection of Current Educational Rules and Regulations of the PRC."

H. Organizational Construction

1. Implement the "'Three Fixes' Plan of the State Educational Commission," which was approved by the State Council, and do a good job in the work concerning the "three fixes" which have been assigned to institutions

and units. We should draw up opinions on strengthening links and coordination between the State Educational Commission and central functional departments.

2. Organize cadres of the State Educational Commission to conscientiously study the guidelines of directives of the CPC Central Committees and the State Council on developing educational undertakings and deepening the educational reform. We should do a good job in the training of leading cadres in local and educational administrative departments.

3. Vigorously reduce the number of meetings and documents and put forward "Opinions on Simplifying Organizational Meetings of Educational Committees" and "Opinions on Vigorously Reducing the Number of Documents and Improving the Quality of Official Documents."

4. Strengthen the building of educational research and consultative organs and consolidate the educational service system. We should start organizing and building such organs as the Chinese Academy of Educational Science, the Advanced Institute of Educational Administration, the Institute of Educational Examination, and the Educational Appropriation Committee. We should also improve and strengthen the State Educational Development and Research Center.

5. Improve and Strengthen the statistics and information work of educational departments to serve the educational reform and development. We should map out the "Outlines for the Overall Plan of State Educational Information Management System" and urge educational authorities of provinces, autonomous regions, and municipalities and some institutions of higher education to strengthen the building of information management system. We should establish a national network of basic educational information sample survey system with counties as the content of sample and complete major part of the data collection and processing work for the sample survey of elementary and middle schools and their teachers. We should put together an "educational map."

EAST REGION

New Jiangsu Governor Meets Reporters

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[Text] On the evening of 26 April, the Secretariat of the Second Session of the 7th Jiangsu Provincial People's Congress held its third press conference. Newly elected provincial Governor Chen Huanyou fielded reporters' questions at the meeting in regard to implementing the policy of improving the economic environment, rectifying the economic order, and deepening reform.

Also attending the press conference were Shen Zhencai and Shi Hanming, deputy secretary generals of the provincial government; Pu Mengling, chairman of the provincial planning and economics commission; Ma Zhifei, president of the provincial people's bank; Cao Shunlin, director of the provincial administration for industry and commerce; and Zhu Shizhen, director of the provincial administration of commodity prices. The meeting was presided over by Gu Yu, deputy secretary general of the second session of the seventh provincial People's Congress. More than 60 reporters from 20-odd press agencies asked about 20 questions currently of great concern to the general public in the more than 1-hour-long meeting.

Readjusting the Industrial Structure Is an Arduous Task

A reporter of the Central People's Broadcast Station asked: Jiangsu has a very brisk processing industry. What would you do with the processing industry in readjusting the industrial structure of the province?

Chen Huanyou answered: At present, we are actively implementing the industrial policy drawn up recently by the central authorities. By way of readjusting, we want to further streamline our industrial structure so that energy, raw materials, communications, transportation industries, and educational undertakings may flourish while the processing industry is put under proper control. Of course, we have to tackle this issue in a realistic way. Processing industry is the backbone of our province's industrial structure and is our strong point. The development of energy and raw materials industries in the province is hampered by the shortage of natural resources. Nevertheless, we have to develop our own energy and basic raw materials industries to ensure effective supply. While we try to restrict the growth of the processing industry, we have to ensure that there is an adequate supply of daily necessities for the people and that the market gets its products. We have to protect those making products for export that earn foreign exchange as well as high quality goods such as high technology products. Those processing industries that produce poor quality or oversupplied goods or consume a lot of raw materials and energy will be strictly restricted.

Reporters from the PARTY LIFE magazine and JIANGSU JINGJI XINXI BAO asked: Since the province adopted a tight monetary policy, there is a shortage of circulating funds among enterprises. How is the provincial government going to solve this problem?

Chen Huanyou answered: It is necessary to improve the economic environment, rectify the economic order, and tighten money supply. However, after the monetary squeeze, many relations were not straightened out and the readjustment of the industrial structure lagged behind. As a result, we failed to retain those industries worthy of being retained and to get rid of others that should have been wiped out. In the first quarter of this year, the province's industrial growth was up 10.8 percent. This was a normal growth rate, but there was something wrong with the industrial structure. Therefore, in our effort to improve the economic environment and rectify the economic order, our tight monetary policy first has to straighten out relations and coordinate with the readjustment of the industrial structure. At the same time, we have to focus on solving the monetary "external circulation" problems to ease the funds shortages of large and medium enterprises.

A reporter from JIANGSU JINGJI XINXI BAO asked: At present, there is an acute energy shortage. What measures will the provincial government take to solve this problem?

Chen Huanyou answered: We will take the following steps: 1) form a management group and set up a management office to deal with production, allocation, and transportation of energy; 2) strengthen our transport force by raising funds to purchase boats and train cars to ship more coal; 3) further encourage Xuzhou Mining Bureau, a major coal mine in the province, to increase coal production; and 4) improve the circulation of coal and stabilize coal prices, starting with Xuzhou.

Scaling Down Capital Construction Is a Serious Job

A reporter from XINHUA RIBAO asked: Although we have seen some results in scaling down capital construction, there is still a strong resistance to this effort. Some localities, in open defiance of the state regulations, go ahead with their construction projects. Is Governor Chen in support of the press' criticism of this problem?

Chen Huanyou answered: The major signs of an overheated economy are overinflated investment in fixed assets and overexpanded capital construction that exceed the state's capacity to sustain them. Our province is also plagued with a gravely overheated economy. Therefore, one of the major tasks in our effort to stabilize the economy, improve the economic environment, and straighten out the economic order is to scale down capital construction. Since last year, the province has done a lot in this respect, scrapped a number of projects, and saved 3.5 billion yuan in investment. However, far more needs to be done to meet the state's requirement.

Some localities did trim a number of projects, a majority of which were canceled because of a shortage of funds or materials. It is true that there are localities that, while trimming some projects, are starting construction of others in violation of state regulations. We conducted a recent investigation into this matter. We are in full support of the press exposing these violations in newspapers. However, I hope you will do your own thorough investigations before making any revelations.

A reporter from the Jiangsu People's Broadcast Station asked: The province will have 400,000 unemployed construction workers this year as a result of scaling down capital construction. What steps will the provincial government take to handle the situation?

Chen Huanyou answered: Our province's construction workers are known as "the army of millions" scattered all over the country. A number of them will lose their jobs and have to return home as a result of this year's effort to scale down capital construction. We have come up with four measures to take care of these idle people: 1) some of them can be recruited to work in the cities; 2) with high-quality work and low labor cost, our construction workers may compete for employment in other provinces as the scale-down effort does not mean a total stop of construction; 3) highly skilled construction workers can be chosen to work overseas; and 4) those with a rural background can go back to work in the fields for the time being and return to construction work when needed in the future.

The People Are Concerned About Commodity Prices and Distribution

A reporter from the Jiangsu People's Broadcasting Station asked: It now appears to be a very difficult task to keep this year's increase in commodity prices well below that of last year, as required by the state. What measures will the provincial governor take to control price hikes?

Chen Huanyou answered: It is indeed not an easy job to keep this year's price hike well below that of last year, but it is something we must tackle with full strength. How will we control commodity prices? First, we must unite the thinking of leaders at all levels. The issue of commodity prices is not a simple matter of a few dollars; instead, it directly concerns the vital interests of the people. In recent years, with the exception of a few individual traders and upstarts, the increase in salaries of cadres and workers has not been able to keep up with sharp surges in commodity prices. Many people are fed up with the runaway price hikes. Therefore, we must do everything we can to control commodity prices. Second, a good way to control commodity prices is to increase effective supply and production. With an ample supply of goods on the market, we can easily keep commodity prices under control. Of course, to increase production is not easy. On top of that, we have a shortage of funds and energy. What we plan to do is trim some projects and

ensure the completion of others. Furthermore, we have to straighten out the market order, step up supervision over commodity prices, and tighten our scrutiny of price increases.

Reporters from JIANGSU GONGREN BAO and the Jiangsu People's Broadcasting Station asked: Right now we have a serious problem of unfair distribution, with the income of many individual traders far exceeding that of ordinary workers, which severely affects the enthusiasm of the masses. How do you, Governor Chen, look at this problem, and what steps will you take to solve it?

Chen Huanyou answered: The situation does exist. On the one hand, the widening gap in income in recent years negates egalitarianism, which is good in that it mobilizes workers' enthusiasm for production. On the other hand, the income gap should be kept under control, especially in countries like ours, as too wide a gap in income will also affect the masses' enthusiasm. At present, some individual traders' income indeed by far outstrips that of ordinary workers. One of the major causes for this is management. Taxation is a good case in point. Many individual traders have high incomes but pay very few taxes; some of them evade taxes, and others refuse to pay taxes. All this is not right. To solve the problem of unfair distribution and eliminate these chaotic phenomena, we need a good overhaul.

There is no doubt that the legitimate operation of individual traders has to be protected. However, we have to levy taxes to regulate their income and we must deal sternly with those who try to evade or who refuse to pay taxes.

Close Attention Should Be Paid To Running Clean Government

A reporter from NANJING RIBAO asked: What considerations do you have regarding the task of running a clean government?

Chen Huanyou answered: The following four aspects should be taken into consideration in our drive to run a clean government: First, a democratic work style should be fully developed. Second, official duties should be performed in accordance with the laws. It is necessary for government officials and functionaries to abide by the laws and regulations and follow the procedures when they speak in public and perform their duties. Third, every government department and individual must accept supervision. Fourth, everyone must make himself an example of integrity and honesty in performing official duties.

A reporter from XINHUA NEWS AGENCY asked: Jiangsu Province took steps to clean up and consolidate companies earlier than other provinces, but has been slow in investigating and dealing with serious cases. Some of them have not been disclosed to the press even

now. People say this is because they involve a certain number of cadres. Have you encountered any trouble as governor? When do you plan to make public these cases?

Chen Huanyou answered: Although our province started the work of cleaning up and consolidating companies earlier than other provinces, our achievements in this respect must not be overestimated. Although some companies are consolidated and have had their licenses revoked, they are still operating on the sly and under-cover. In particular, they manage to switch goods and materials covered by state plans to those not covered by state plans and sell them at jacked up prices. People are indignant and hate this phenomenon bitterly. The standing committee of the provincial party committee just opened a meeting this morning on thoroughly cleaning up and consolidating companies during the current campaign to improve the economic environment and rectify the economic order. The government is determined to get to the bottom of the problems of reselling and rebuying at a profit, profiteering, speculation, and making quick money, and will not be soft in dealing with these problems. The question you raised about the problem with some companies is under investigation right now.

A reporter from the Nanjing Radio Broadcasting Station asked: When we covered news at the Nanjing Chemical Fertilizer Company, we found many notes containing instructions approved by provincial leaders requiring the supply of chemical fertilizers. Have you, as a governor, signed or approved such notes? If the press units want to disclose such information, will provincial leaders exert pressure on the factory?

Chen Huanyou answered: As of today, I have not signed or approved any notes that require the supply of chemical fertilizers. However, I must make it clear that approval of such notes should be granted by dealing with each case on its merits. If some localities actually do have special problems, it should not be wrong to approve such notes, because it will be doing official business strictly according to official principles. If official business is done out of consideration for personal relationships or relatives and friends, especially if allocation of chemical fertilizers is authorized for profiteering purposes, such a practice should then be resolutely investigated and dealt with.

Seriously Intensify the Construction of Spiritual Civilization

A GUANGMING RIBAO reporter asked: Governor Chen, since you majored in and have been involved with economic management, what is your view regarding the construction of spiritual civilization since taking up your post?

Chen Huanyou replied: The strategic principle for socialist modernization is to promote material and spiritual civilization simultaneously. The practice over the past few years has proved that the economic construction must be carried out alongside spiritual civilization. In promoting spiritual construction to ensure economic development, it is also necessary to pay keen attention to training talented people for several generations to come. We must attach great importance to education—both intellectual and moral and ideological education—in kindergartens, primary and middle schools, and colleges and universities. It is necessary to intensify ideological education not only in schools but also in other areas.

A HUADONG XINXI BAO [EAST CHINA INFORMATION NEWS] reporter asked: We are short of grain, funds, and coal, and, still more, the initiative of the people. Governor Chen, what do you think of this, and how are you going to fire up the initiative of the people?

Chen Huanyou replied: It is true that we are short of grain, funds, and coal, but even more, a cohesive force. We must unite as one and work together. In harnessing enthusiasm, I believe, it is necessary to first solve the question of understanding in both the economic construction and the work in the ideological and political realm. Second, it is necessary to inherit and carry forward the fine traditions of the older generation in carrying out the practical work, serving the people, giving expression to democracy, following the mass line, being role models, and building closer relations between the party and the masses and between cadres and ordinary people. When practical problems of the masses are solved, they will support the government, whose capability to unite and appeal to the people will then be increased.

It Is Necessary To Supervise the Improvement and Rectification Drive Through Public Opinion

A RENMIN RIBAO reporter asked: As a jingle says: "Publicity in circulars is not dreadful, but it is in newspapers." Governor Chen, would you tell us how newspapers can exercise supervision through voicing public opinion in the course of improving the economic environment and rectifying the economic order?

Chen Huanyou said: This sure is a good jingle that stresses the role of the mass media. I hope that newspapers will pay attention to the following aspects: First, they should publicize more good people and things, as well as experience and lessons, in Jiangsu's reform, opening to the outside world, and economic construction. Second, they should provide more timely information. Third, they should reflect difficulties in the provincial government's work as it is. Fourth, they should strengthen the supervision over the provincial government, especially the governor.

KMT 'Tactics' To Divide, Demoralize Religious Groups

40050392 Hong Kong KUANG CHIAO CHING in Chinese No 197, 16 Feb 89 pp 76-77

[Article by Jen Hai Ching 0117 3189 2468]

[Excerpts] [Passage omitted] According to knowledgeable sources in Taiwan, the Kuomintang's (KMT) Social Work Association expects to spend NT\$2.2 million to send a "religious fifth column" into the religious community to infiltrate its various religious denominations and to cause division and conflict among them, so the organizational force of their missionary effort will be influenced and controlled by the KMT. After that, the KMT will take over the church's mantle to achieve the goal of governing religion to further spread the KMT's influence. [passage omitted]

This organization was planned by the KMT's Social Work Association, identified as the "Special Pacification Project" under which is a "Pacification Unit."

Important aspects of the work to be carried out by the "Pacification Unit" include the following:

1. Collaborating with related KMT organizations to strengthen the function of the "Pacification Unit," whose specific responsibility is to separate, channel, and convert those in the Presbyterian Church and the Church of the New Covenant who express improper views and conduct, and to prevent their collusion with elements for Taiwan independence.
2. Strengthening the orientation of the Catholic Church and other Christian churches toward the KMT, through seminars and field trips to national monuments, to stimulate common concerns and improved cooperation and harmony in mutual efforts for national construction.
3. Clearing up untruthful lies spread internationally by the Presbyterian Church and the Church of the New Covenant, by inviting foreign religious leaders to visit Taiwan.
4. Cleaning up the contents of "The Taiwan Church Bulletin" and strengthening the unit's advisory role with respect to other church publications.
5. Enriching the understanding of religion by fellow workers and encouraging exchange of experiences.

From these five work focuses, it is not difficult to detect the flavor of "church activities carried out" by the "Pacification Unit." Moreover, the "Pacification Unit's" work strategy includes "assembling data on important figures in the Presbyterian Church and the Church of the New Covenant everywhere," and "collaborating with other offices in legal investigations of dissenting views expressed by CHIAO-HUI KUNG PAO [The Church Bulletin] and other religious publications

and using publications from other religious denominations to rebut them." This is the intentional plan of the authorities to prevent any conversion to "unorthodox opinions." One of the KMT's smart tactics is using one church to offset another church, thereby preventing any rapid progress in the democratization of Taiwan and Taiwan independence. [passage omitted]

For many years the Presbyterian Church and the Church of the New Covenant have been playing important roles in the Taiwan democracy and Taiwan independence movements, by expressing fierce opinions and taking strong actions. On the other hand, the KMT, who dared not take any action because of its complicated and involved relationship with the United States, was simply faced with a headache. The KMT had always regarded the Presbyterian Church and the Church of the New Covenant as great problems. Toward these church elements who have never accepted its policies, the KMT has now finally found a way to deal with them. By using the "religious fifth column" this time, the KMT's Social Work Association aims to dilute the influence of various religious groups, to provide guidance and advice to religious influence at home and abroad, and further, to limit expansion of the political opposition's influence. Its intent may be considered well thought out.

To counter the CHIAO-HUI KUNG PAO, the "Pacification Unit" of the KMT's Social Work Association used the pro-Kuomintang FU YIN PAO [Gospel News] to attack the CHIAO-HUI KUNG PAO and to admonish the intent of religious figures in the Presbyterian Church and the Church of the New Covenant.

Before this, the KMT had used the excuse of improper views held by the TAIWAN CHIAO-HUI KUNG PAO [the Taiwan Church Bulletin] as the reason for investigating and detaining the publication's editorial staff and for exploding with the "Hsi-an Incident." How the duties of the "Pacification Unit" will evolve after it becomes operational warrants further attention.

According to reliable sources, the KMT has been spending close to NT\$1 million a year to subsidize such publications as the FU YIN PAO, "The Good News and Belief," etc., in their effort to attack church elements whose views differ from theirs. In return for this financial support, these publications were to criticize the Presbyterian Church's CHIAO-HUI KUNG PAO, and attack dissenting views of the Church of the New Covenant. Later on, the KMT decided to change its strategy, and used enormous sums of money to establish a new group in preparation for strengthening its influence over the church community.

On the other hand, Li Tung-hui originally had some ties with the Presbyterian Church. The KMT sought to take advantage of this relationship to further influence decisionmaking policies in the Presbyterian Church, and moderate the wounding effect of the Presbyterian Church on the KMT. According to a private revelation

by a knowledgeable Presbyterian of the KMT's Social Work Association, since the work of undermining and dividing the Presbyterian Church had not been going well, the Social Work Association will adopt a double-whammy approach to continue its divisive work within

the Presbyterian Church on one hand, and to use pro-Kuomintang figures in the Catholic Church and other Christian churches to attack the Presbyterian Church and the Church of the New Covenant on the other, in hopes of gradually weakening their influence.

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